



Operations Evaluation

Evaluation of EIB Intermediated Lending
through the Investment Facility in ACP

Synthesis Evaluation Report

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Evaluation of EIB Intermediated Lending through the Investment Facility in ACP

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ABBREVIATIONS AND ACRONYMS

ACP	The African, Caribbean and Pacific Group of States
AFD	French Development Agency
AfDB	The African Development Bank
AFS	Appraisal Fact Sheet
BoD	Board of Directors of the European Investment Bank
BOAD	West African Development Bank
BVAL	Bloomberg Valuation Service
Capex	Capital Expenditure
CFA	Financial Community of Africa
COM	Communication from the European Commission
COORD	Coordination Division of the European Investment Bank (historical)
DEAS	Development Economics Advisory Services (historical)
DEG	German Investment Corporation
DFI	Development Finance Institution
E&S	Environmental and Social
EADB	East African Development Bank
EBRD	European Bank for Reconstruction and Development
EC	European Commission
EDF	European Development Fund
EDFI	European Development Finance Institutions
EFP	European Financing Partners
EIB	European Investment Bank
EU	European Union
EUR	Euro
EV	Operations Evaluation Division of the European Investment Bank
FB	Final Beneficiary
FI	Financial Intermediary
FIX	Financial Information eXchange
FMO	The Netherlands Development Finance Company
FSR/FSS	Financial sector reviews and strategies
IADB	Inter-American Development Bank
IF	Investment Facility
IFC	The International Finance Corporation
IFI	International financial institution
JU	Legal Directorate of the European Investment Bank
MBIL	Multi-Beneficiary Intermediated Loan
MC	Management Committee of the European Investment Bank
MDB	Multilateral development banks
MoU	Memorandum of Understanding
OCCO	The Office of the Chief Compliance Officer of the European Investment Bank
OPS	Operations Directorate of the European Investment Bank
PCM	Project Cycle Management
PEFF	Private Enterprise Finance Facility
PIN	Preliminary Information Notice
PJ	Project Directorate of the European Investment Bank
REM	Results Measurement Framework

RM/CRD	Risk Management Directorate/Credit Risk Department of the European Investment Bank
Serapis	Web-based front office working tool of the European Investment Bank
SG/ECON	General Secretariat/Economics Department of the European Investment Bank
SME	Small and medium-size enterprise
TA	Technical assistance
TCX	Currency Exchange Fund
TMR	Transaction Management and Restructuring Directorate of the European Investment Bank
ToFA	Transfer of Financial Advantage
UEMOA	West African Economic and Monetary Union
UMOA	West African Monetary Union
USD	United States Dollar
WB	World Bank
XOF	West African CFA franc

Key terms:

- An operation represents the total credit line amount approved by the EIB.
- A contract is the agreement between the EIB and the local financial intermediary, formalised in a Finance Contract. There can be several contracts signed under one operation.
- A disbursement is the amount disbursed from the EIB to the intermediary. Several disbursements can be made under one contract.
- An allocation is the amount on-lent from the intermediary to a final beneficiary.

EXECUTIVE SUMMARY

The EIB supports access to finance for small and medium enterprises and initiatives in ACP countries through intermediated operations, mostly multi-beneficiary intermediated loans (MBILs), with the use of European Development Fund (EDF) funds under the Cotonou Investment Facility (IF). This evaluation assesses the extent to which IF MBILs have contributed to: (i) supporting small or medium-sized enterprises and initiatives and; (ii) strengthening local financial sectors in ACP countries. The evaluation draws on a wide variety of sources, including individual evaluations of a sample of 11 financial intermediaries (FIs) located in Nigeria, Kenya, Uganda and Haiti, as well as an analysis of the EUR 1.24 bn portfolio of IF MBILs (excluding microfinance operations) signed between 2010 and 2015 across the ACP region, covering 953 allocations to final beneficiaries.

Increasing access to finance

Over the period 2010-2015, the EIB was the second largest provider of intermediated lending for private enterprises in the ACP region. MBILs accounted for 61% of IF signatures during this period. The vast majority of allocations to final beneficiaries were for small and medium enterprises; 95% were for “SMEs” with less than 250 employees, and 71% were for “small” enterprises, with less than 50 employees. The vast majority of allocations approved were to finance investments within the so-called “missing middle” (investments ranging from USD 25,000 to USD 2m) for which access to finance is particularly constrained. However, the majority of the funding volumes were approved for financing a small number of large projects (61% of total lending was for allocations that were greater than USD 2 m), and 30% were approved for funding larger companies, including MidCaps. The evaluation questions whether such a significant share of lending for larger allocations and enterprises is in line with the spirit of the IF objectives for intermediated lending, which aim notably at supporting small and medium sized enterprises and initiatives. In fact, these objectives are subject to different interpretations and would merit clarification from the IF Committee, particularly with regards to the size of final

beneficiaries it wishes to prioritise. At present, different MBIL products, including those for MidCaps and larger enterprises to finance projects up to EUR 25 m, are implemented under the IF.

In this respect, if and when the priority were to target small and medium enterprises, the definition of SMEs currently used in ACP countries may not be very helpful. The use of the EU definition for what constitutes an SME (enterprises of up to 250 employees) does not allow distinguishing between enterprises that actually qualify as small, medium and large in the ACP context, as most of the clients of the local banks with which the EIB works could be included in this category. By means of comparison, the majority of African countries use 100 employees as a threshold to define SMEs, while IFIs and Regional Organisations adopt thresholds between 100 and 300 employees.

The evaluation finds that MBILs supported small and medium enterprises and initiatives by addressing an important barrier constraining access to finance; namely the unavailability of long-term liquidity, particularly in local currency. They offered significantly longer term funding than that which financial intermediaries could typically access, allowing them to meet the demand for longer term loans to match the economic life of their clients' investments. A significant share of MBILs was also extended in local currency, eliminating the currency risk for both financial intermediaries and their clients and allowing intermediaries to match the funding needs of enterprises that trade locally; 88% of the number and 47% of the volume of allocations were in local currency.

However, insufficient long-term, local currency liquidity is only one of many barriers constraining access to finance. The evaluation finds that there are other, equally important barriers, some of which are within the remit of the EIB: the actual and perceived risk of lending to SMEs; the limited knowledge of financial intermediaries to assess the credit risk of SMEs; and the weak capacity of SMEs to prepare bankable projects. The EIB has used, albeit to a limited extent, other types

of instruments, such as risk sharing guarantees, equity and technical assistance, to address some of these barriers. These instruments ultimately aim to bring about a change in the lending practices of financial intermediaries to encourage them to extend more long-term loans to SMEs.

The evaluation suggests that the EIB could have the means of achieving higher impact if it were to continue exploring and, when feasible, using a combination of instruments to address a wider range of constraints, beyond those related to liquidity. There are also other barriers, including weak legal and regulatory frameworks, which the EIB has addressed, and could continue to address, by backing partner institutions that support legal and regulatory reform. Together, the Bank and its partners could offer a more comprehensive approach and maximize long-term impact.

To this end, the Bank could make more use of the country financial sector reviews and strategies it produces. The ACP region is one of the few for which the EIB has developed country-specific strategies for financial sector operations. While these strategies are comprehensive as regards the analysis of financial sector structure, performance and regulation, the analysis of the barriers constraining access to finance for private enterprises could be further enhanced and used to identify other instruments that could address non-liquidity constraints, at the country and at the financial intermediary level.

Strengthening financial sectors

While MBILs cannot address the more structural impediments to financial sector development, they can contribute to strengthening financial sectors, by supporting competition, primarily through the financing of local second tier banks. Over the evaluation period, 60% of financial intermediaries supported by the EIB were tier 2 and tier 3 banks, although they represented only 44% of MBIL volumes.

The evaluation finds that the EIB, by and large, tailored its objectives to the needs of local financial markets and selected intermediaries accordingly. For the most part, the EIB provided long-term finance in ACP markets where there are no or limited (long-term) funding alternatives. However, the evaluation highlights that, as some of

the more advanced financial markets in the ACP region further develop, at some point the low EIB lending rates could risk stifling the development of local debt capital markets and hence financial sector development, particularly if the interest rate advantage is not passed on to final beneficiaries. The financial value added, which is systematically quantified, should be used to assess whether the risk of stifling the development of local debt capital markets exists and whether the transfer of the interest rate advantage to final beneficiaries is desirable and feasible.

MBILs have also been a useful instrument for strengthening financial intermediaries. Longer term local currency loans allowed financial intermediaries to mitigate their maturity and currency mismatches, and capex loans supported intermediaries in their expansion and consolidation strategies. In some cases, the EIB support helped intermediaries increase their profile and competitiveness in a specific market segment (e.g. SMEs). In many cases, the EIB provided a strong signalling effect by being the first IFI to support these financial intermediaries.

Project cycle management

The EIB's project cycle management works well for delivering MBIL signatures and disbursements expediently. During the evaluation period, several policies and procedures, particularly those relating to pricing, contracts and financial covenants, as well as the possibility of setting up umbrella operations, worked well for increasing the level of signatures and, to some extent, disbursements. Project cycle management is also effective at containing operational and most reputational risks, including through the analysis of financial soundness and the capacity of financial intermediaries, the assessment of compliance risk, and the annual counterpart reviews. E&S risks were always taken up with intermediaries but were not always followed through satisfactorily.

At the same time, monitoring and reporting are found to be insufficient to track and demonstrate policy results, largely because the implementation of MBILs was mainly driven by eligibility and not by IF strategic objectives. Policy objectives are operationalised at appraisal stage in REM sheets, which provide output and outcome indicators to quantify, amongst others, the

expected contribution of individual operations to increasing access to finance. However these expectations were found to not always be sufficiently discussed with financial intermediaries and only partially reflected in the reporting (allocation) templates. For instance, while REM sheets might set expectations regarding the share of SMEs to be financed or the share of female employees or first time borrowers, the allocations were approved based on eligibility alone, with no consideration for whether they were contributing to these objectives. Furthermore, allocations are not monitored during the allocation period to determine how the operation is progressing with respect to the expectations set out at approval, thereby restricting the Bank's capacity to take action during the course of an operation to work towards meeting these expectations. Procedures envisage that performance only be evaluated at the end of the allocation period. Moreover, there was no monitoring of the re-use of funds, when the tenor of the allocations was shorter than the tenor of disbursements. Finally, the coverage and quality of ex-post reporting on allocations, through the mandatory annual allocation reports, was found to be very weak.

As regards reporting, the evaluation questions the extent to which the set of allocations approved by the EIB can be viewed as the projects it has actually financed. In the EU, the EIB approves allocations to final beneficiaries to whom the intermediary will transfer the financial advantage in the form of an interest rate rebate. The financial advantage as well as its source (EIB) will be specified in the contract with the final beneficiary. In ACP, where there is no obligation to transfer the interest rate advantage, it is very difficult to trace EIB funding to specific final beneficiaries, let alone projects. Indeed, despite transparency requirements concerning the source of funding, most beneficiaries interviewed did not know they received funding from the EIB. Moreover, the evaluation finds that allocation lists are mutually interchangeable; financial intermediaries were able to swiftly replace allocation requests with new ones when the EIB objected to a proposed allocation, or the proposed allocation would require additional scrutiny by EIB Services. This suggests that intermediaries have a portfolio of projects from which they draw a sample to submit as allocation requests the

EIB. Therefore, the evaluation questions the extent to which the allocation system is useful for reporting and guaranteeing against reputational risk in the ACP context. It suggests that rather than being seen as the actual projects financed by the EIB, the allocations should be seen as a sample of projects financed by the intermediary which meet EIB eligibility criteria and which the EIB would in principle agree to finance.

Furthermore, reporting on the sum of allocations provides little information as to the contribution to policy objectives (e.g. whether access to finance for small and medium enterprises or initiatives has increased as a result of the operation). Such reporting would be enhanced by (also) reporting on the intermediary's overall portfolio. Progress toward achieving expectations set at appraisal could be monitored at the portfolio level and emphasis would be placed on strengthening the intermediaries' processes and procedures in order to encourage them to increase lending to small and medium enterprises or initiatives.

Finally, during the evaluation period, the reporting on MBILs to decision makers, especially the IF Committee, was too aggregated and provided insufficient information on policy results achieved through individual financial intermediaries to serve as a useful basis for further strategic orientations.

Based on these findings, the evaluation puts forth the following main recommendations.

Box 1: Recommendations

R1 In order to maximise impact in terms of access to finance and financial sector development, the Bank should continue to explore and, when feasible, use instruments that address not only liquidity constraints but also barriers relating to the risk of lending to SMEs and to weaknesses in the capacity of financial intermediaries and SMEs. When relevant, it should also continue to explore possibilities for coordination with partner institutions that address legal and regulatory barriers.

R2 The Bank should request the IF Committee to confirm the types of final beneficiaries

and objectives it wishes to prioritise through MBILs and should integrate IF objectives, particularly those relating to increasing access to finance, throughout the project cycle – from the selection of financial intermediaries, to project design, the drafting of contracts, and design of monitoring tools

R3 The EIB should adapt tools and processes to improve monitoring and reporting of IF policy objectives. In particular, it should explore how progress towards achieving the expectations set at appraisal stage could be monitored. It should produce a study on the pros and cons of using an allocation versus a portfolio approach for monitoring MBILs in ACP, which could be discussed with the IF Committee before deciding whether, and where, to apply this approach. Reporting to the IF Committee on MBILs should be more detailed and disaggregated, especially on facilities.

MANAGEMENT RESPONSE

The Management Committee welcomes the independent Evaluation of the EIB's Intermediated Lending through the IF in ACP, covering operations signed over the period 2010-2015. The Evaluation covers an important part of the EIB's finance activity in the region and assesses the extent to which IF MBILs have contributed to: (i) supporting small or medium-sized enterprises and initiatives; and (ii) strengthening local financial sectors, in ACP countries. It draws on a wide variety of sources, including individual evaluations of a sample of 11 financial intermediaries (FIs) located in Nigeria, Kenya, Uganda and Haiti, as well as an analysis of the EUR 1.24 bn portfolio of IF MBILs (excluding microfinance operations) signed between 2010 and 2015 across the ACP region, covering 953 allocations to final beneficiaries.

The Management Committee shares EV's view that:

- By enhancing the financial sector's capacity to respond to the unavailability of long-term liquidity, particularly in local currency, IF MBILs contribute to mitigate the access to finance constraints faced by private enterprises in the ACP region.
- Whenever feasible and appropriate for specific transactions, the use of complementary financing instruments, such as risk sharing and equity, together with technical assistance, are effective tools to contribute to amplify the Bank's impact in the region.
- There may also be scope for complementing the mainly eligibility-driven deployment of MBILs with enhanced monitoring and reporting of the degree to which certain policy objectives are met through delivery of MBILs, in line with the ex-ante expectations raised at the appraisal stage of the operations.

Two main areas for improvements have been identified by Management in response to the EV Report:

- Better coordinate efforts to increase the impact of the Bank's financing. This entails intensifying the origination of operations combining several types of financial instruments - when feasible - and providing technical assistance more systematically where needed to raise awareness and facilitate deal flow. It will also require an improvement in the way the Bank coordinates with other partners that address legal and regulatory barriers to access to finance and the enhanced use of local offices to initiate and support such cooperation and deepen the knowledge of local SME markets.
- Subject to operational efficiency requirements and business delivery constraints, improve the extent to which the monitoring of IF policy objectives can be combined with the analysis of eligibility-g geared results of the allocation process in order to timely manage the effectiveness of MBILs.

It is noted that some of the recommendations (notably regarding the use of complementary instruments, improved monitoring and the analysis of barriers constraining access to finance for private enterprises) made in the Report are already being implemented. The findings of the current Evaluation give useful indications to support the Bank in its current efforts to enhance the impact of IF MBILs in the ACP region. A follow-up action plan for the implementation of the action points as entailed by the Management response will be further developed after Board approval.

1. INTRODUCTION: EVALUATION MANDATE, METHODOLOGY AND SCOPE

This evaluation, carried out by the Operations Evaluation Division (EV) of the European Investment Bank (EIB), assesses the extent to which intermediated lending under the Investment Facility (IF) has contributed to: (i) supporting small and medium enterprises or initiatives; and (ii) broadening and deepening the local financial markets in the African, Caribbean and Pacific Group of States (ACP).

Box 2: The Cotonou Investment Facility

The IF is a revolving fund, set up in 2003 under the Cotonou Agreement, to finance projects promoting the development of the private sector and commercially-run public enterprises. Investments in the infrastructure sector and the financial sector are a priority.

The IF is meant to operate on market terms and to generate returns in the long run. It is funded by EU Member States through the European Development Fund (EDF) and is managed by the EIB. Under the IF, the EIB can accept a higher level of risk than when using its own resources, as IF investments are covered by a full guarantee from EU Member States.

For more details about the IF, see Article 3 of Annex II of [the Cotonou Agreement](#), the ACP-EU Partnership Agreement concluded for a 20-year period from 2000 to 2020.

This evaluation forms part of EV’s Work Programme for 2016, approved by the EIB Board of Directors, and responds to a request by the Investment Facility Committee (IF Committee) to assess the value added of EIB intermediated loans in ACP. The Bank initially addressed this request through a paper and a study on the issue (both are internal). In addition, since 2012 the Bank has been presenting aggregate results of financially intermediated operations in its annual reports on “Results of EIB Operations outside the European Union”.¹ While these reports were welcomed, they triggered additional questions and suggestions, leading the Bank to propose that it would examine the possibility of carrying out a proper evaluation of intermediated loans in ACP.

This report draws on the analysis performed to answer a set of evaluation questions, which address:

- The relevance of the Multi-Beneficiary Intermediated Loan (MBIL) product;
- The effectiveness, efficiency and sustainability of the operations financed;
- The EIB contribution and its project cycle management.

The questions are outlined in Annex 1 and a background paper provides the analysis and answers to each of these questions.

This evaluation draws on a wide variety of sources:

- An analysis of upstream policy documents, strategic notes and IF operational guidelines, beginning with the launch of the IF in 2003 up to the present day;
- A review of the complete portfolio of IF intermediated loans signed in ACP from 2010 to 2015, which provides information on volumes, type of intermediaries and final beneficiaries, as well as the characteristics of the loans they received;²
- Individual evaluations of 15 EIB contracts signed with 11 financial intermediaries located in Nigeria, Kenya, Uganda and Haiti. The sample was selected on the basis of

¹ EIB, Report on results of EIB operations outside the EU: [2012 report](#); [2013 report](#); [2014 report](#).

² The reason for focussing on the period 2010 to 2015 is twofold: 1) more recent activities provide more tangible findings on the effects attributable to the IF and their sustainability; and 2) an earlier mid-term evaluation of the IF commissioned by DG DEVCO covered activities for the period ending 2010.

implementation status, level of disbursement, availability of allocation data, and bank tier;³

- An analysis of other International Financial Institutions' (IFIs) approaches and activities in the area of intermediated lending in ACP:
 - Interviews with IFIs and Development Finance Institutions (DFIs);
 - Constitution of a database of all intermediated loans for private enterprises mobilised by all IFIs in ACP since 2010 (based on information publicly available); and
 - A literature review of past evaluations on the topic;
- A specific study on alternative sources of finance for local banks in Nigeria, Kenya and Uganda as well as on the market conditions for private enterprises in these countries when taking a loan from a domestic bank.

The scope of this evaluation covers the following:

- Products: operations tagged as MBILs in the EIB's database, including Global Loans, Loans for SMEs and/or MidCaps (which includes loans for capital expenditure; "Capex"), but excluding all MBILs dedicated to microfinance as well as those through the European Financing Partners (EFP) joint venture.⁴ Framework Loans, which are also intermediated loans, are excluded from the scope of the evaluation.
- Funding sources: operations financed under the IF. All operations financed by EIB's own resources are excluded from the scope of this evaluation;⁵
- Geographical coverage: operations in the ACP group of States. All operations in Overseas Countries and Territories (OCTs) are excluded given the specific policy framework for and the limited MBIL activity in these countries.

Technical assistance and advisory services are out of evaluation scope, but whenever relevant, their contribution to achieving the objectives of operations is analysed.

³ Annex 1 describes the sampling approach for the contracts evaluated individually.

⁴ MBILs flagged as "microfinance" in the database fall beyond the scope of this evaluation. An evaluation of MBIL operations dedicated to microfinance would require a separate evaluation framework as MBILs represent only a fraction of EIB operations supporting microfinance in ACP region. Other instruments, namely equity investments in microfinance investment vehicles would also have to be included. Moreover, there are specific objectives associated with microfinance operations such as a focus on poorer segments, vulnerable groups and other social objectives, which are different from those for SMEs and MidCaps. Finally, an evaluation on microfinance operations would also need to look in-depth into complementarity with grants, capacity building, and other financial and non-financial services offered to micro enterprises.

The European Financing Partners (EFP), launched in May 2004, is a joint venture between members of the European Development Finance Institutions (EDFIs) and the European Investment Bank (EIB). It was created with the double aim of promoting sustainable development of the private sector in ACP States and strengthening cooperation between eligible DFIs and the EIB. EFP was evaluated by EV in 2009, and the EDFI members have in June 2014 jointly finalised an [evaluation of the effectiveness of their support for SME development through financial institutions in Africa](#).

⁵ For 2010-2015, Own Resources funded only 6% of all MBILs.

2. INTERMEDIATED LENDING: CONTEXT, OBJECTIVES AND PRODUCTS

The IF intermediated operations in ACP countries aim at supporting small or medium-sized enterprises and initiatives and broadening and deepening the local financial markets. Access to finance is indeed one of the major barriers to private sector development and growth in ACP countries. The EIB supports access to finance and financial sector development in ACP countries, mainly through multi-beneficiary investment loans (MBILs), which are carried out almost exclusively with the use of the EDF resources under the IF. MBILs can be used to target SMEs, MidCaps, large enterprises, or a combination of all, to finance projects costing up to EUR 25 m. The evaluation finds that IF objectives and priorities for intermediated operations are subject to a number of different interpretations, both amongst IF Committee members and Bank Services. It questions whether all MBIL products are in line with the spirit of IF objectives and suggests that clarification is needed, particularly as regards the size of final beneficiaries and projects to be financed.

2.1 Context and objectives

The IF intermediated operations in ACP serve notably the dual objective of supporting small or medium-sized enterprises or initiatives [and] broadening and deepening the local financial markets. Under the IF, support to small and medium sized enterprises or initiatives aims at increasing their access to finance. The broadening and deepening of financial markets is not only a means to increasing access to finance, but also an aim in itself. Through the IF, the EIB strives to both deepen ACP financial markets by increasing the importance of financial assets for the local economies, and broaden by supporting the introduction of new participants and instruments in the markets. Strengthened local capital markets and institutions are expected to ultimately facilitate the access of local businesses to financial products and services.

In most ACP countries, limited access to finance is one of the major stumbling blocks to the development of private enterprises, particularly SMEs, which are the backbone of their economies. In Sub-Saharan Africa, at the beginning of the reference period covered by this evaluation, between 40 and 59% of formal SMEs needed a loan or an overdraft but had neither.⁶ Increasing access to finance for SMEs is viewed as crucial in fostering entrepreneurship, competitiveness, innovation, and ultimately growth of ACP economies.

A variety of factors limit access to finance for private enterprises, particularly SMEs. On the demand side, many SMEs in need of credit operate at the edge of informality (are not registered, keep no or poor financial records). They often lack the skills to develop bankable projects and submit viable credit applications. Many have no collateral to provide to banks and little equity to jump-start a project when a bank does not finance 100% of their credit needs.

On the supply side, most local banks in ACP consider that dealing with SMEs has higher operating costs and risks in comparison to other segments, and perceive inherently volatile returns of lending in certain sectors of the economy, agriculture in particular. These banks often lack the knowledge to assess the risk of this client segment and cannot obtain reliable financial records or adequate collateral. As a result, the costs of lending for SMEs tends to be high and banks invest little in developing products that would be more adapted to their needs (e.g. simplified administrative procedures, reduced collateral requirements, etc.). However, an increasing strategic focus of banks in sub-Saharan Africa on the SME segment emerges, as a recent survey-based EIB study reveals.⁷ A growing number of banking groups in sub-Saharan Africa have a long-term and significant focus on SMEs and retail clients, which they combine with the deployment of internet and mobile banking technologies.

⁶ Stein, Peer, Tony Goland, and Robert Schiff. Two trillion and counting. Assessing the credit gap for micro, small, and medium-size enterprises in the developing world. IFC and McKinsey & Company (2010).

⁷ EIB. [Banking in sub-Saharan Africa - Recent Trends and Digital Financial Inclusion](#) (November 2016).

A number of other factors limiting access to finance are linked to weak regulatory environments (e.g. incomplete or imprecise rules and regulations, unclear creditor protection laws, excessive capital requirements for lending to SMEs, absence of credit bureaus, weak enforcement of property rights by local courts, political and sovereign risk), lack of competition and the shallow markets characterising some of ACP's financial sectors.⁸

The EIB supports access to finance for small and medium enterprises and initiatives in ACP countries almost exclusively with the use of the EDF under the Investment Facility. Own resources funded only 6% of EIB's intermediated lending operations in ACP for 2010-2015. Support to small and medium enterprises and initiatives can take place through a number of different types of intermediated operations: credit lines extended to financial intermediaries or via the European Financing Partners (EFP) joint venture for on-lending to small and medium enterprises or initiatives ("MBILs"), equity investments in private equity funds, and, to a limited extent, risk-sharing instruments (so far only implemented via the Impact Financing Envelope launched in April 2014). This evaluation focuses only on MBILs, and excludes microfinance activities and lending through the EFP (see scope in Section 1).

Different MBIL products, including those for MidCaps and larger enterprises to finance projects up to EUR 25 m, are implemented under the IF (see Table 1 for a description of MBIL products). Financing MidCaps and larger enterprises is not explicitly mentioned as an objective in the IF Operational Guidelines but is in practice allowed. Indeed, the financing of small and medium sized "initiatives" is understood by EIB Services to include projects belonging to enterprises of any size and costing up to EUR 25 m (i.e. the maximum project cost allowed under the MBIL product "Loan for SMEs"), for which the maximum EIB allocation amount is EUR 12.5 m.

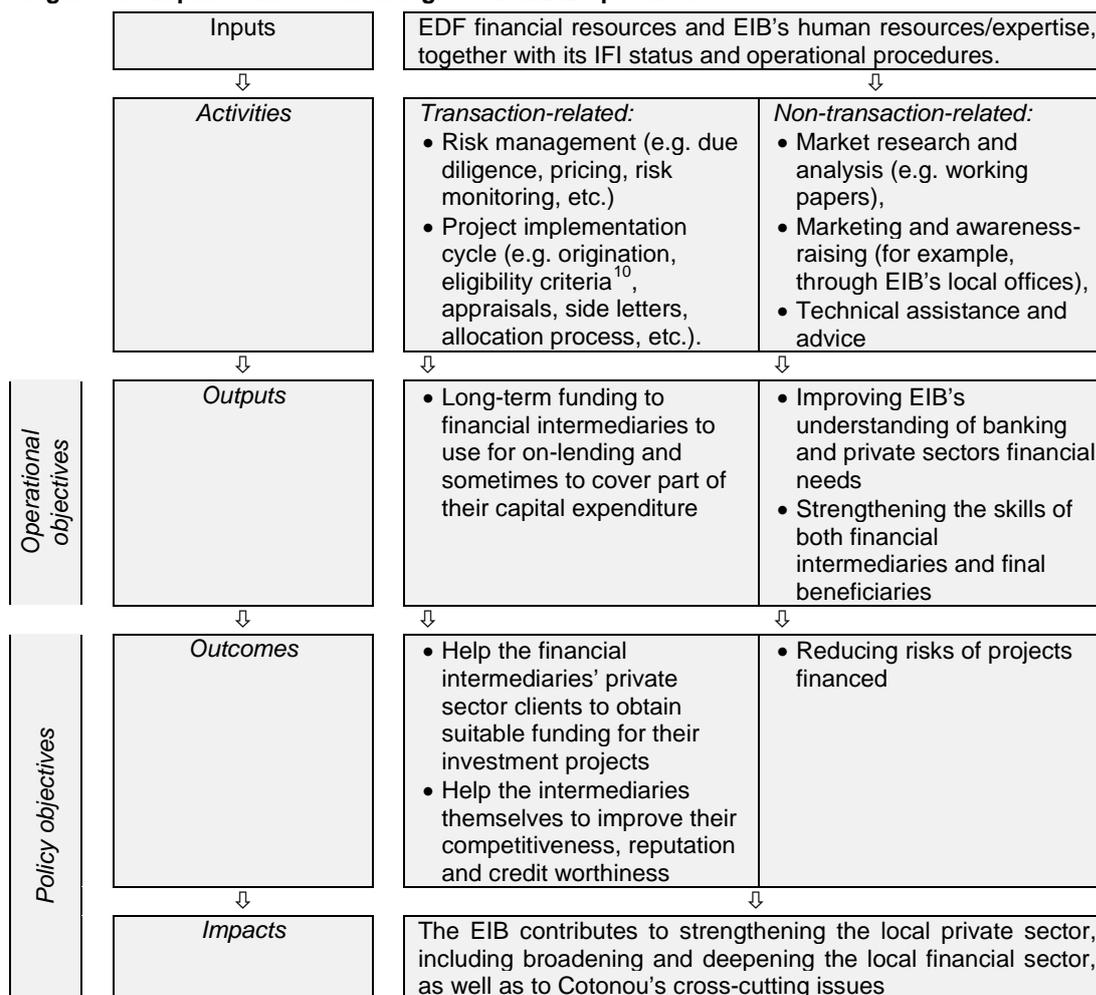
The evaluation questions whether allowing MBIL products to reach out to any enterprise, including MidCaps and larger enterprises, and to finance projects up to EUR 25 m, is in line with the spirit of the IF objectives. While recognising the benefits of financing larger enterprises and initiatives, particularly in terms of job creation (see section 4.3), this evaluation questions whether projects costing up to EUR 25 m can be considered small and medium sized initiatives in the ACP context and whether the IF Committee views them as such. Moreover, interviews carried out with several members of the IF Committee revealed a diversity of views as regards the objectives and priorities of IF intermediated lending. Some members stressed the development aspects of the mandate and maintain that EIB lending should support smaller beneficiaries (SMEs). Others pointed out that supporting larger beneficiaries (MidCaps, corporates) is a more efficient way to maximise job creation. Yet others considered that the revolving nature of the IF (an important feature) dictates a pragmatic approach to intermediated lending, which the EIB carries out well. Within this context, the evaluation suggests that clarification as to the priorities of IF intermediated lending, particularly as regards the size of final beneficiaries and projects to be financed, could be helpful.

Finally, the intervention logic in Figure 1 describes how the EIB's MBILs are expected to ultimately contribute to the overall IF objectives (detailed intervention logic in Annex 2).⁹

⁸ By shallow markets we understand those markets with a small number of financial institutions, extending relatively little credit, primarily to private enterprises, as compared with the size of the economy.

⁹ This intervention logic has been reconstructed for the purpose of this evaluation by the evaluation team based on key policy documents at EU and EIB level and discussions with key EIB staff. It has been finalised and validated during a workshop with the evaluation reference group in the early stages of the evaluation process.

Figure 1: Simplified intervention logic of IF MBIL operations



2.2 Lending products

During the period of this evaluation, IF intermediated lending was carried out mainly through Multi-Beneficiary Intermediated Loans (MBILs).¹¹ There are a number of different MBIL products, namely: (a) Global Loans; (b) Loans for SMEs; (c) Loans for MidCaps; and (d) Loans for SMEs and MidCaps. The characteristics of each product are described in Table 1.

Prior to 2012, intermediated lending was exclusively carried out through Global Loans. In 2012 the EIB adopted Loans to SMEs and/or MidCaps. For the sake of simplicity, the term MBILs will be used throughout the rest of this report to refer to the IF intermediated lending that is within the scope of this evaluation.

The MBIL product is used extensively by the EIB, both outside and within the EU, to finance projects and final beneficiaries that are too small to finance through direct operations. The product features are defined to maximise flexibility in order to allow it to be used and adapted to different contexts. As such it allows for financing a wide range of project sizes which may be beyond those which would fall under the IF mandate.

¹⁰ MBIL operations allow for the financing of final beneficiaries' projects which shall comply with the eligibility criteria set out in financial contracts. These criteria define the type of eligible final beneficiary, minimum and maximum terms of sub-loan agreements, project costs and nature of the goods to be financed, status of the investment (i.e. in progress or recently completed).

¹¹ Framework Loans accounted for 11% of intermediated lending.

Table 1: Main features of MBILs

Product	Eligible financial intermediaries (FI)	Eligible final beneficiaries (FB)	Cost of the FB investment (= project cost) (EUR m)	Max EIB allocation ¹² (EUR m)	EIB coverage of FB project costs (%) ¹³
Global loans	Privately or publicly owned banks, other financial intermediaries and public sector entities (e.g. development agencies, municipalities)	Private or public enterprises, financial institutions (e.g. MF institutions), public sector entities, of any size	Up to 25 m	Up to 12.5 m	Up to 50%
Loans for SMEs	Privately or publically owned banks, other financial intermediaries	100% SMEs as per the EC definition ¹⁴	Up to 12.5 m	Up to 12.5 m	Up to 100%
			12.5 m to 25 m		50% to 100%
			Over 25 m ¹⁵		
Loans for MidCaps	Privately or publically owned banks, other financial intermediaries	100% MidCaps (EIB-EC MoU definition)	Up to 25 m	Up to 25 m	Up to 50%
			25 m to 50 m		
Loans for SMEs and MidCaps	Privately or publically owned banks, other financial intermediaries	Max 30% MidCaps, rest SMEs	Relevant rules above apply depending on whether the final beneficiary is an SME or a MidCap		

Source: EIB

The main parameters of MBILs are the following:

- **Size:** there is no prescriptive minimum or maximum limit for the amounts that the EIB can make available to financial intermediaries through an MBIL. The main considerations when deciding the amount of an MBIL are linked to risk and the financial intermediaries' on-lending capacity as well as efficiency of the transaction for the EIB. In the period 2010-2015, the smallest contract signed was for EUR 3 m, while the largest was for just over EUR 80 m. The average over the period was slightly over EUR 21 m;
- **Currency:** the EIB can lend both foreign and local currency in most ACP countries.¹⁶ The ability to lend in local currency depends on local macroeconomic and currency conditions. The IFIs and financial intermediaries interviewed in the course of this evaluation recognise in EIB's local currency lending offer one of its comparative

¹² An allocation is the amount on-lent from the intermediary to one or more final beneficiary/ies.

¹³ An EIB allocation could cover 100% of a financial intermediary's transaction (i.e. the total loan of the financial intermediary to the final beneficiary), provided that the amount is not higher than the maximum share of the project costs that the EIB may cover.

¹⁴ As per the EC definition, SMEs are enterprises with less than 250 employees. See also page 14.

¹⁵ This category is theoretical, as in practice, no SME project of this size has even been supported.

¹⁶ EIB local currency lending has a notional nature as the Bank does not disburse local currencies. Local currency loans are granted in EUR/USD and converted into the local currency; repayments are converted back into EUR/USD using the prevailing foreign exchange rate at the time of repayment (independent of what the exchange rate was at the time of disbursement).

advantages vis-à-vis other international lenders, as it eliminates the exchange risk for financial intermediaries and final beneficiaries;

- *Tenor*: the maximum contractual tenor between the EIB and the intermediary is 15 years; the financial intermediaries are requested to offer final beneficiaries tenors that match the economic life of final beneficiaries projects, and that do not go below a minimum threshold (usually three years for smaller projects, but occasionally one year in specific contexts);
- *Interest rate*: The pricing of EIB loans to financial intermediaries is based on risk considerations, as well as local market conditions. The intermediaries are required to on-lend to final beneficiaries at market rates, however the risk assessment and the loan pricing are left entirely to the intermediary. The MBIL product allows Services to choose between transferring interest rate advantage or requesting advantage for final beneficiaries in terms of longer tenor. The principle of transfer of financial advantage (ToFA) in terms of interest rates was considered for a restricted number of countries in ACP but, during the evaluation period, this has not been put into practice;
- *Final beneficiaries*: private enterprises, primarily SMEs and MidCaps active in most sectors of the economy, except for trade and the sectors mentioned on the exclusion list;¹⁷
- *Capex and TA*: MBIL packages may include a Capex loan, which the financial intermediary can use for reinforcing its infrastructures and procedures. The MBIL may also be complemented by a parallel technical assistance (TA) operation.

Finally, in order to improve the expediency of processes related to MBILs, the EIB has introduced umbrella operations including the Private Enterprise Finance Facilities (PEFF). These operations entail the approval by the BoD (following a positive opinion from the IF Committee) of a larger amount to be used for MBILs, which is then distributed among financial intermediaries in a given country or region. The intermediaries may be identified at the time of approval of the operation or at a later stage. All intermediaries are subject to the usual due diligence procedures and are specifically approved for inclusion in the operation either by the BoD, or by the MC (under a specific delegation agreement from the BoD). In every PEFF, funds are distributed among intermediaries either on a first-come-first-served basis (based on allocation requests submitted and approved) or on a contractual basis (i.e. each intermediary commits to borrow and allocate a specific share of the available funds).

¹⁷ For older operations, public enterprises could also be final beneficiaries of EIB loans and priority sectors were determined in agreement with the EC.

3. PORTFOLIO OVERVIEW

Over the period 2010-2015, the EIB was the second largest provider of intermediated lending for private enterprises in the ACP region. MBILs accounted for 61% of IF signatures during this period and were concentrated in a few East and West African countries. As compared to other IFs, the EIB presents a wide geographical coverage but has so far been less involved in French speaking African countries. Following requests by the IF Committee, the share of MBILs in the overall IF portfolio has declined since 2014.

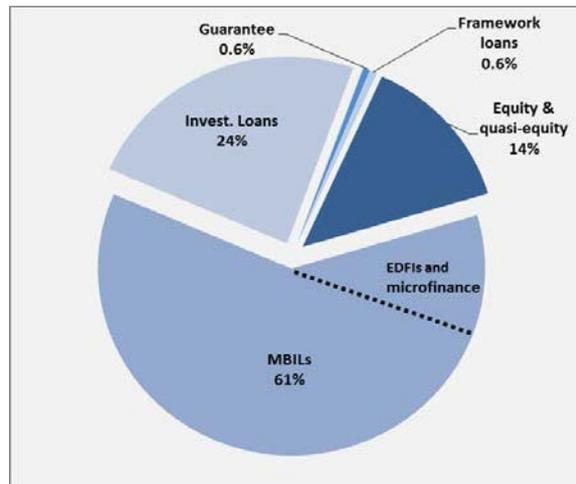
3.1 Signatures and disbursements

As compared to other IFs, the EIB is a significant provider of intermediated lending for private enterprises in ACP. The EIB signed the largest number of intermediated lending contracts in ACP countries and was, after AfDB, the second largest provider in volume terms.¹⁸ EIB signatures are, on average, relatively small compared to those of other IFs; PEFFs in particular enable the EIB to sign relatively small individual deals within a large operation.

Figure 2: Credit lines signed by IFs and DFIs (2010-2015)



Figure 3: IF amounts signed (EUR m) by instrument (2010-2015)



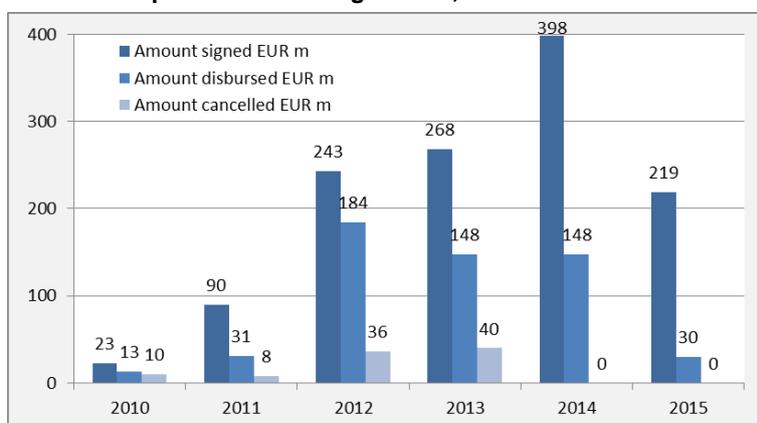
Over the period 2010-2015, MBILs were the main instrument used under the IF; 61% of total IF signatures were MBILs. Of the EUR 2,570 m signed under the IF, EUR 1,240 m were within the scope of this evaluation: EUR 891.3 m were Global Loans and EUR 349 m were Loans for SMEs and/or MidCaps. A further EUR 331 m were MBILs for microfinance and EFP operations and hence out of scope of this evaluation.

The share of MBILs in total IF signatures increased during the 2010-2015 period, peaking in 2013, but subsequently declining again, following requests by the IF Committee. The level of approvals and signatures was exceptionally high in 2013 and 2014, leading to a concentration of these operations in the IF portfolio. Consequently, and at the request of the IF Committee, the EIB endeavoured to stabilise the weight of the financial sector, and especially

¹⁸ Intermediated lending to microfinance banks is not included, unless the recipient organization is part of the national bank system and the credit line is intended to be used for on-lending to small and medium enterprises.

credit lines, in the IF portfolio for the period 2015-2017, as a way to ensure an effective diversification of the IF portfolio. This resulted in a reduction of signed MBIL volumes by 33% in 2015 with respect to the previous year (see Figure 5 below).

Figure 4: Evaluation portfolio: MBIL signatures, disbursements and cancellations¹⁹



Note: disbursed amounts relate to year of signature and not to year of actual disbursement. The same applies for cancelled amounts (i.e. out of EUR 219 m signed in 2015, EUR 30 m have so far been disbursed and EUR 0 m have so far been cancelled).

Of the EUR 1,240 m of MBIL signatures within the scope of this evaluation, EUR 553 m has been disbursed to financial intermediaries. EUR 372 m has been on-lent through 953 allocations to 929 final beneficiaries at 31/12/2015.²⁰ The difference between disbursed and on-lent amounts includes Capex loans to intermediaries and disbursement not yet allocated (“up-front disbursement” procedures).

While disbursement rates have improved, they remain relatively low. Disbursement rates for MBILs have historically been low. At end 2007, 32% of the global loans signed between 2003 and 2007 had been disbursed. The EIB gave priority for 2008-2010 to improving the implementation efficiency for financial sector operations and new schemes were developed in order to tackle the issue, including more flexible allocation procedures (e.g. ex-post approval of allocations decided on a case-by-case basis), more constraining commitment fee arrangements to accelerate the use of funds, and by encouraging the use of technical assistance for institutional strengthening of financial intermediaries. These efforts contributed to improved disbursement rates. Nevertheless, at the end of 2015, only 45% of MBILs signed between 2010 and 2015 had been disbursed.

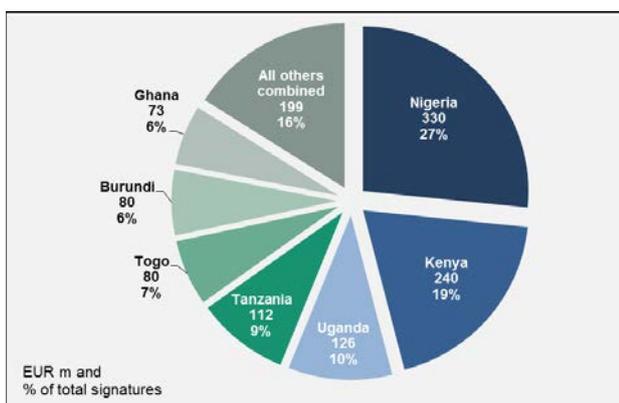
¹⁹ Figure 5 includes only signatures within the evaluation portfolio and hence excludes all microfinance and EFP signatures, which are included in figures 2,3 and 4.

²⁰ The signed amount includes EUR 94.2 m cancelled after signature and EUR 592.3 m not disbursed at 31/12/2015. The vast majority of cancellations were in Nigeria (EUR 75.9 m, which is 81% of total cancelled amounts in ACP).

3.2 Geographical distribution

The volume of IF intermediated loans is concentrated in a small number of countries. The top two countries (Nigeria and Kenya) account for 46% of the total MBIL signatures during the evaluation period. The top seven countries account for 84% of total signatures and are all in Sub-Saharan Africa. In terms of disbursements, concentration is even more important: the top four countries received 85% of all disbursements. Most IFs follow a similar pattern as the IF, as they also have a strong focus in Eastern and Western Africa.²¹

Figure 5: IF MBILs, signatures by country (2010-2015)



The EIB has, along with the International Finance Corporation (IFC), the widest geographical coverage in ACP, signing contracts in 20 countries during the evaluation period. There are a few countries for which the EIB is the only supplier of intermediated loans.²² Moreover, as compared to other IFs, the EIB provided a higher share of intermediated loans to low income countries during this period. However, there are countries where other IFs have lent whilst the EIB has had no intermediated lending between 2010 and 2015 (see Table 2).

Table 2: ACP countries where IFs signed MBILs and EIB did not (2010 and 2015)

Country	Other IFs involved
Angola	IFC
Benin	AfDB
Burkina Faso	AfDB, BOAD
Burundi	AfDB
Cabo Verde	IFC, Proparco
Central African Republic	IFC
Ivory Coast	IFC, AFD, BOAD
Jamaica	WB
Madagascar	AFD
Mali	BOAD
Namibia	DEG, AfDB
Niger	AfDB, AFD, BOAD
Papua New Guinea	FMO, DEG, IFC
Senegal	AFD, BOAD
Zimbabwe	Proparco

Source: EV's database of all MBILs mobilised by all IFs in ACP since 2010, based on information publically available.

As compared with other IFs, the EIB has been less involved in French speaking African countries. This is partly explained by local contexts. First, local financial sectors in smaller ACP countries are often characterised by a scarcity of counterparts for the EIB. Second, the limited size and dynamism of these economies, and in particular their ability to generate a sufficient pipeline of SMEs for eligible investments, has been another constraining factor. Third, the financial sector has sufficient liquidity for covering short and medium term funding needs and there is a limited risk appetite for long-term lending to the private sector. Indeed, in the West African Economic Monetary Union (UEMOA), lenient banking regulations concerning the management of maturity mismatches did not incentivise local banks to mobilise long-term lending from the EIB.²³

²¹ Source: EV's database of all MBILs mobilised by all IFs in ACP since 2010, based on information publically available.

²² Botswana, Malawi, the Federated States of Micronesia, Samoa, and Seychelles. The EIB is also providing intermediated loans to the Pacific region, an area that is not served by other IFs with the only exception of Papua New Guinea. Via its Own Resources, the EIB is also the only IFI providing credit lines in Saint Kitts and Nevis and Dominica.

²³ In December 2012 the West African Monetary Union (UMOA - Union Monétaire Ouest Africaine) adopted a less stringent banking regulation regarding the long-term debt to asset ratio. This potentially diminishes even more local banks' interest in long-term borrowings, such as the MBILs proposed by

The EIB applied differentiated pricing approaches in ACP regions prior to 2015, and as such offered attractive prices in East Africa in order to penetrate new markets. Such approach was not adopted in French speaking African countries, which resulted in the relatively limited attractiveness of the product in this region. Following a reorganisation of EIB Operations Directorate in 2015, the EIB started applying a harmonised pricing policy for private sector lending in ACP in order to encourage consistency of approaches across the region and take into account the fact that the EIB works with counterparts that operate in more than one country.

Through umbrella operations and regional banks, the EIB has recently explored ways to reach out to a larger number of “frontier countries” where financial sectors are underdeveloped and SME lending in particular is limited. As carrying out operations in a vast number of countries requires considerable resources for country-level economic analysis, business development and management, the EIB has developed new products which help to reduce the cost of generating an operation. The EIB has implemented facilities with pan-African commercial banking groups, which enables participating subsidiaries of holding companies to deploy credit lines to private enterprises in their respective countries. In addition, regional PEFFs allow for smaller individual contracts to be generated within an acceptable operation cost. In particular, thanks to banks in West Africa becoming more active in lending to the private sector, the EIB has approved in 2016 a PEFF for West and Central Africa; this operation is the first multi-country, multi-bank facility in the sub-region.

the EIB. Long-term debt to total asset ratio was reduced from 75% to 50%. *Source: Avis n° 001 – 01 - 2013 aux établissements de crédit relatif à la révision de la norme du ratio de transformation et à la suppression du ratio de structure du portefeuille dans l'UMOA.*

4. IMPROVING ACCESS TO FINANCE FOR SMALL AND MEDIUM ENTERPRISES AND INITIATIVES

This evaluation finds that MBILs can increase access to finance for small and medium enterprises and initiatives by providing long-term, local currency liquidity that financial intermediaries would otherwise generally not be able to access. This reduces the currency and tenor mismatches for financial intermediaries and enables them to provide long-term loans to SMEs and MidCaps that meet their financing needs. Indeed the majority of allocations during the evaluation period were approved for small and medium enterprises, which are typically the ones that have most difficulty accessing finance in ACP countries. Nevertheless, although in principle the EIB prioritises small and medium companies or investments under the IF, about 30% of lending volumes were approved for larger enterprises (including Midcaps), and 77% were approved for allocations greater than EUR 1 m (the proxy used by IFC to define SMEs). Moreover, MBILs can only address one of the many barriers constraining access to finance for private enterprises; other EIB instruments are needed in combination with MBILs to address other, equally important barriers, such as the actual and perceived risk of lending to private enterprises, and particularly to SMEs, the capacity of intermediaries to assess the credit risk of SMEs, and the capacity of SMEs to prepare bankable business plans. Credit guarantees, technical assistance and equity can lead to durable changes in the intermediaries' lending approaches and hence increase access to finance for SMEs in particular.

4.1 Does the product address the needs of final beneficiaries?

As a product, the MBIL is designed to address some of the funding needs of SMEs and MidCaps. It offers long-term funding to financial intermediaries that can be converted into long-term lending to final beneficiaries. During the evaluation period, the eligible maturity range for allocations varied from usually 3 years (exceptionally 1 year) to 15 years, a feature which is meant to incentivise intermediaries to offer sub-loan tenors that match the economic life of the beneficiaries' investments.

In countries eligible for local currency lending, MBILs eliminate the currency risk for both the intermediaries and their clients, thereby facilitating on-lending to domestically-oriented SMEs.²⁴ Over the evaluation period, 88% of the number and 47% of the volume of allocations were in local currency. The IFIs interviewed during the course of this evaluation emphasise that this was a key advantage of IF MBILs as compared to credit lines they offered, as in ACP they could usually only extend local currency loans via the Currency Exchange Fund (TCX).²⁵ The IF MBIL may also be drawn by financial intermediaries and on-lent to final beneficiaries in hard currency. In such cases, the aim is to meet the funding needs in EUR and USD of export-oriented enterprises or of private enterprises operating in significantly dollarized economies.

Finally, by allowing a wide range of sub-loan amounts, MBILs can meet the funding needs of a wide range of enterprises and allow for the funding of large SME investments at once. Over the period covered by this evaluation, the range of eligible sub-loan sizes differed from one operation to another: PEFF operations in East Africa typically had low minimum and maximum eligible amounts, in order to allow smaller enterprises with modest investment needs to benefit from the product. By contrast, operations with tier 1 banks in Nigeria typically allowed larger

²⁴ The overall volume of unhedged local currency lending was initially capped at 20% of the nominal outstanding amounts under the IF; the limit was increased in December 2015 to 40% (not including operations from the Impact Financing Envelope), in order to sustain an estimated increase of loans in local currency to be signed until 2020.

²⁵ The Currency Exchange Fund (TCX) is a special purpose fund that provides over-the-counter derivatives to hedge the currency and interest rate mismatch that is created in cross-border investments between international investors and local borrowers in frontier and less liquid emerging markets. Many IFIs that are not able to directly lend in local currency use the TCX. The EIB has also recently invested in the TCX with a view to promoting local currency lending more generally and to complement its ACP local currency lending.

investments to be financed, hence matching the funding needs of MidCaps; a market segment actively developed by commercial banks in one of Africa's largest economies.

However, insufficient long-term local currency financing is just one of the barriers constraining access to finance. Other constraints, which the Bank has to a more limited extent addressed relate to the actual and perceived risk of lending to SMEs, and to the capacity of financial intermediaries to assess the risk of lending to SMEs and of SMEs to prepare bankable projects. These initiatives are discussed more extensively in section 4.2. There are also legal and regulatory constraints that the Bank has contributed to tackling through, for instance, support to the IMF Africa Regional Technical Assistance Centres (AFRITACs), namely for strengthening banking system regulation, and through dialogue in the context of the Making Finance Work for Africa platform.

Several MBIL products – such as the Loan for SMEs – are designed to prioritise small and medium companies. However, the EIB definition of what constitutes an SME is so broad that, in many cases, these products cover most of the financial intermediaries' clients and are therefore not helpful to actually target this specific group. The EIB applies the EC definition of SMEs for operations both within and outside the EU²⁶. While this approach ensures consistency of the EIB's approach across its entire portfolio, it is not the most appropriate to capture enterprises that are actually small and medium in ACP countries, as in many cases it encompasses most of the intermediaries clients. Indeed, the EIB's upper threshold of what constitutes an SME is relatively high compared to the average of other national and IFI definitions, particularly for the smaller economies (see Box 3). Moreover, in most cases, this definition does not correspond to intermediaries' own definitions, which vary from one country to another and even among banks within the same country. The fact that IFIs and financial intermediaries apply different definitions to SMEs further complicates the tracking of intermediaries' SME portfolios and creates additional costs for intermediaries, who have to tailor an ad-hoc monitoring system for each IFI they are working with.²⁷

A similar issue exists for the definition used by the EIB for MidCaps (defined as enterprises with 250 to 3,000 employees), which also encompasses large corporates in most ACP economies.

Box 3: Defining SMEs

The defining feature of SMEs is size, which can be measured using various parameters: typically employment, sales, and value of assets. As size does not have the same implications in all geographies and lines of business, different parameters may be applicable in different countries (middle income, low income) and sectors.

The definitions of SMEs used by multilateral development banks (MDBs), IFIs and national authorities vary according to:

- The parameters used in the definition. Most definitions make reference to a combination of parameters while others, such as that of the EIB, focus only on one parameter (usually employment). IFC, EBRD and IADB define SMEs with reference to the size of loans obtained.
- The threshold used for the categorisation of enterprise size;
- Whether a distinction is made between small, medium, and sometimes micro enterprises.

The diversity of definitions adopted by institutions and African countries using employment as a parameter is illustrated in the following graphs. As regards international and regional institutions, the vast majority converge with EIB/EC definition of small enterprises to be those with less than 50 employees, although the threshold adopted for medium enterprises varies between 100 and 300 employees. By contrast, local definitions deviate considerably from the EIB/EC definition. A majority of African countries (25 of the 33 countries studied by the AfDB) adopt thresholds lower than or equal to 100 employees and

²⁶ Since 2005, the EIB has aligned its definition of an SME to the Commission Recommendation of 6 May 2003 (2003/361/CE) albeit with slight differences. The EIB restricts itself to the headcount limit and does not normally apply the other criteria (assets, turnover). As per the Commission recommendation, the EIB defines SMEs in the ACP as enterprises with less than 250 employees.

²⁷ Inter-American Development Bank, 2016. Evaluation of IADB's group work through financial intermediaries.

one third adopt thresholds lower than or equal to 50 employees, to define SMEs. For instance, Kenya and Uganda adopt thresholds of 100 employees, while Zambia and Nigeria adopt thresholds of 50 and 200 employees respectively.

Figure 6: Categorisation of SME types by employee number²⁸

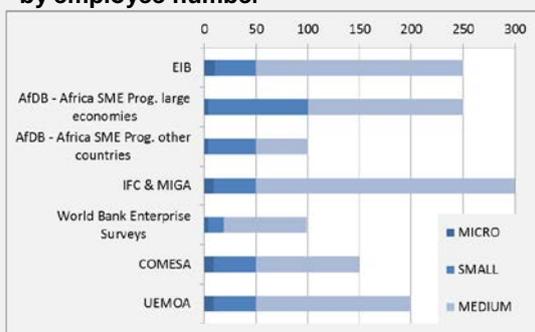
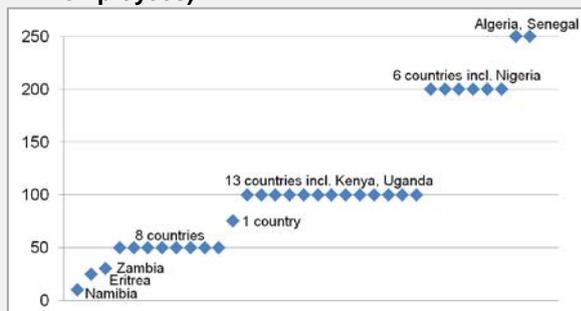


Figure 7: Upper thresholds in SME definitions in African countries (number of employees)²⁹



Source: AfDB, *Evaluation of bank assistance to small and medium enterprises (2006-2012), Literature Review Report (November 29, 2013)*.

In some cases, MBIL features led financial intermediaries to allocate EIB sub-loans to their most credit-worthy clients.

- For all the contracts evaluated individually in East Africa and Nigeria, the EIB limited its allocation to 50% of each final beneficiary investment, and the intermediary had no obligation to provide own funds. Particularly for larger investments, this incentivised intermediaries to carefully select clients that were most able to provide significant own resources.
- When the intermediaries were allowed to pass on the currency risk to the final beneficiary, they did so by lending to their strongest clients, who were able to bear such risk: EV identified cases in Nigeria where the intermediary on-lent EIB funds in hard currency to clients doing business exclusively in local currency, thus the currency risk was in fact fully taken by the clients. In such cases, interviewed financial intermediaries stated that they often selected companies that were part of groups with several sources of revenue and therefore capable of repaying the loans irrespective of the success of the project for which they took out a loan, or companies belonging to high net worth individuals. Many of the final beneficiaries that were subject to a field visit by the evaluation team fit this profile.

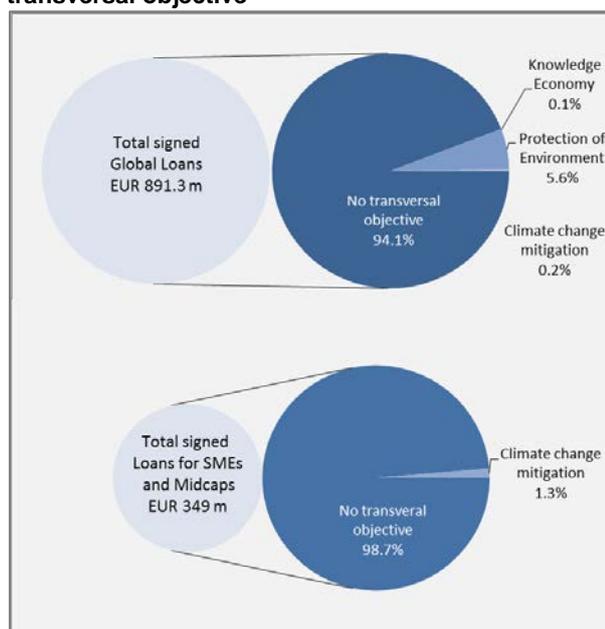
Prioritising the most credit-worthy clients builds on sound credit risk policy, but also limits the potential for newcomers or the underserved to be served by IF MBILs. Moreover, in some cases, this was in contradiction with the expectations set out in the Results Measurement (REM) sheet, which created expectations regarding a certain share of final beneficiaries which would be first time borrowers. However in practice, first time borrowers are often of a smaller size than the final beneficiary lists submitted to the EIB and require smaller loans in local currency, for which microfinance products and intermediaries' existing products are more suited than EIB MBILs for SMEs and/or MidCaps.

²⁸ IFC's definition of SMEs is based on three indicators: number of employees, annual sales, and total assets. Enterprises need to meet two of these three criteria to be classified as SMEs. For client reporting purposes, because IFC's financial market clients usually cannot consistently report on these criteria for SME borrowers, IFC uses loan size proxies to track lending to SMEs from financial institutions.

²⁹ Each dot refers to a specific country's threshold. In cases of sector-specific definitions, the highest value was utilised. Examples of countries within given thresholds are provided.

Although MBILs can also be tailored to address the financing needs in specific sectors or for cross-cutting objectives, such tailoring was limited during the evaluation period but has, more recently, been explored. The EIB had identified over the period 2011-2015 the opportunity for credit lines to reach out to smaller scale projects, notably those promoting the use of renewable energy and supporting climate change actions. Twenty percent of the contracts signed during this period were tagged as being partly dedicated to a transversal objective in Serapis. However, EV found limited evidence that these objectives were actively pursued and tracked at contract or allocation level. In the case of the transversal objective of climate action, six operations were tagged as such in Serapis. Two of these were analysed in detail as part of this evaluation and no references were found

Figure 8: MBIL signatures by product type and transversal objective



to this transversal objective in the Board documents or in the REM sheets. One targeted MBIL has been signed, for Climate Action in the Caribbean. An operation in Malawi targeted investments in exporting industries with an emphasis on the agricultural sector, but was in practice open to a large set of sectors. The EIB is planning a new sector-focused operation in the same country. In addition, the EIB pursues sector-focused operations in the context of the Impact Financing Envelope (IFE), which allows the IF to bear the additional level of risk induced in working with intermediaries active in sectors like agriculture or in climate action projects.³⁰

EV's literature review on evaluations carried out on intermediated lending in ACP shows that targeting generally proves to be difficult and is rarely applied. A challenge associated with sector targeting is to define and implement adequate mechanisms and transmission channels in the lending relationship with intermediaries. The implementation of a sector- or theme- specific operation usually requires capacity building, as well as financial incentives, in order to help intermediaries build up a pipeline of eligible projects. The risk of the intermediary's pipeline being insufficiently large that it would jeopardise disbursement rates is another concern raised by Services. Indeed, in smaller economies it could be the case that intermediaries do not have sufficiently large project pipelines within the considered sectors to allow for targeted operations; however in Nigeria, a larger economy, interviewed intermediaries indicated that their portfolio of clients was sufficiently large to allow for sector-specific projects. The two tier I banks studied in this country had or were in the process of concluding sector-specific lines of credit with other IFIs.

4.2 Did MBILs incentivise financial intermediaries to lend to small and medium enterprises and initiatives?

EIB strategic orientations considered that IF MBIL could potentially be instrumental in catalysing changes in intermediaries' lending approaches to SMEs and MidCaps, with a view to sustain their effects in the long-term. MBILs were seen as a product which could encourage intermediaries to develop their experience and expertise in the provision of long-term loans to the private sector. The EIB decided in 2008 to gradually improve the design of operations with a view to bringing about some change in the behaviour of local actors. This

³⁰ Via its credit lines to Financial Intermediaries, the IFE helps in particular Microfinance Service Providers expand in a particular sector of the economy (e.g. agribusiness). The IFE also has a specific sectoral facility expected to support smallholders and businesses along the agri-business value chain.

objective built on the idea that, beyond filling existing gaps, the IF should pay more attention to innovative approaches that may serve more difficult and risky segments of the market such as small businesses or provide technical assistance to intermediaries to help them improve their lending practices (e.g. to gradually move away from collateral-based lending).

However, in practice, the mere provision of financial resources was found to be insufficient to induce any change in the intermediaries' behaviour. EV found little evidence that IF intermediated operations had an impact on the financial intermediaries' lending approaches to SMEs or other target groups. First, EV found that the EIB provided little support to intermediaries in designing new products for specific final beneficiaries, or in supporting them in designing their SME strategy. Second, while the individual evaluations found that IF MBILs supported intermediaries in expanding relationships with existing, and sometimes with new clients, they were not influential in this process. Indeed, all intermediaries evaluated had a strategy to expand their client base over the evaluation period, including with SMEs. In Kenya and Uganda in particular, the intermediaries interviewed had developed an aggressive SME outreach strategy and viewed IF MBILs as a valid and timely resource to support their strategy. However, the extent to which the EIB operations contributed to the design of these commercial plans or the tailoring of their product offer was limited.

Existing evaluations confirm that intermediated lending promotes traditional bank credit practices and does not incentivise the development of more innovative approaches that would better serve the needs of private enterprises and SMEs in particular. They indicate that addressing long-term liquidity constraints is largely insufficient to incentivise banks' lending to private enterprises, particularly SMEs.³¹ Banks are reluctant to lend to SMEs not because of insufficient long-term funding, but because of the perceived riskiness of small and medium private enterprises. In order to incentivise financial intermediaries to increasingly lend to specific beneficiary groups, several IFs, such as IFC and DEG, are preconditioning their loans to the intermediary's development of SME-oriented products or strategies and offer pre-disbursement TA in that regard. The EIB is also taking steps towards providing such incentives; it is currently testing innovative ways to provide financial incentives to intermediaries to support projects which bring desired economic and social outcomes.³²

The EIB has, however, used a number of other instruments to encourage financial intermediaries to develop lending approaches that better address SME needs. For example, risk sharing guarantees, which have so far only been implemented under the Impact Financing Envelope, help to mitigate the actual and perceived risk of lending to SMEs and thereby incentivise the financial intermediaries to increase lending to SMEs. In addition, TA provided in East Africa (a model that will be replicated in West Africa) aimed to support the intermediary in this direction. However, as it was demand-driven, none of the banks visited during this evaluation asked for advisory to help them better address SME needs.³³ Indeed, a World Bank evaluation identifies that, when expressing their needs, banks do not prioritise SME banking expertise, meaning that they do not use TA to implement SME-focussed strategies, structures, and management tools.³⁴ Moreover, EV found that the current approach to identifying final beneficiaries potentially interested in technical assistance could be biased, as the identification of SMEs is left to the intermediary, which may have a tendency to prioritise its most credit-worthy clients over the ones most in need of technical support. In addition, the intermediary is expected to select a potential client that it expects to finance, which in itself is counterintuitive. By comparison, AFD often provides TA through local unions of employers, who

³¹ EIB, 2006. [Evaluation of EIB financing through global loans under the Lomé IV Convention](#); African Development Bank, 2013. [Independent Evaluation of Non-Sovereign Operations](#), 2006-2011. Operations Evaluation Department of the African Development Bank Group.

³² A newly approved MBIL initiative of the EIB aims to support agristorage projects with high developmental impact. This operation develops a "price-for-results" concept which aims to reward and so incentivise projects which bring desired economic and social outcomes.

³³ Financial intermediaries could determine the topics on which to receive support from the EIB, based on an initial needs assessment.

³⁴ World Bank, 2014. [The Big Business of Small Enterprises](#). Evaluation of the World Bank Group Experience with Targeted Support to Small and Medium-Size Businesses, 2006-12.

are in charge of identifying promising SMEs in need of support. The EIB is currently not equipped to apply a similar approach, as it cannot grant-fund a general, de-linked, assistance programme for enterprises which would also include enterprises that do not receive an EIB loan.

The EIB missed opportunities to “ask for more” in the case of repeat operations with the same intermediaries. Services indicated that repeat operations are mainly geared toward rewarding intermediaries which have demonstrated capacity to on-lend to the real economy, as evidenced by high disbursement volumes within previous EIB operations. The EIB had however taken the position in 2008 that repeat operations were having relatively modest value added and were to be given lower priority; instead, more attention was expected to be paid to more innovative approaches.³⁵ EV evaluated contracts with intermediaries having received more than one MBIL and found that the EIB did not take the opportunity to “ask for more”, for example by offering improved financial conditions in exchange for prioritising certain types of final beneficiaries, or in exchange for passing more favourable conditions to specific clients. Instead, the repeat operations analysed replicated past conditions and requirements.

4.3 Did MBILs improve access to finance for final beneficiaries?

The fungibility of money makes the attribution of specific beneficiaries to EIB funds very difficult. Nevertheless, while the allocations may not represent the enterprises and projects actually financed by the EIB, they do represent a sample of enterprises and projects that the EIB has, in principle, agreed to finance and, as such, they are interesting to analyse for this evaluation. EV’s desk research and site visits confirmed that intermediated loans are by nature fungible in the financial intermediaries’ balance sheet; it is difficult, if not impossible, to trace EIB financing to specific sub loans for specific enterprises to finance specific projects. The EIB approves (pre- or post-disbursement) a list of allocations to finance projects that meet EIB eligibility criteria. However there is no guarantee that these same projects are not also presented to other financiers. In addition, as discussed in Section 6, the evaluation finds that allocation requests were easily replaced by financial intermediaries, indicating that the intermediaries have a portfolio of enterprises that they finance, from which they submit a sample to the EIB as allocation requests. Therefore it is questionable whether data on EIB allocations can be viewed as the actual projects attributable to the EIB financing, or whether they should rather be more accurately viewed as a sample of sub-loans, approved by the EIB, that meet its eligibility requirements.

The findings show that the majority of the allocations approved by the EIB for financing were for small and medium enterprises and initiatives, which are typically the ones that have most difficulty accessing finance in ACP countries. Access to finance is particularly constrained for the so-called “missing middle”, which generally covers investments ranging from USD 25,000 (EUR 19,380) to USD 2 m (EUR 1.55 m).³⁶ During the evaluation period, 80% of allocations approved were for investments within this range. Moreover, 71% of the allocations approved were for enterprises with less than 50 employees, which are considered “small enterprises” according to the vast majority of local and international definitions (see Box 3 above). Furthermore, 85% of sub-loans were approved for enterprises with less than 100 employees, considered SMEs by most definitions, and 95% were for enterprises with less than 250 employees considered SMEs according to the EU/EIB definition. Moreover, using allocation size as a proxy for enterprise size, as is done by the IFC, confirms this finding; 57% of allocations were for small enterprises taking loans for under USD 100,000 (EUR 77,519).³⁷

³⁵ Notably by encouraging intermediaries to: (i) gradually provide a larger share of the funds out of the savings they mobilise locally; (ii) serve more difficult and risky segments such as small businesses; (iii) diversify selectively into new market segments which may help deepen the financial sector by mobilising long maturities (such as housing finance); (iv) use technical assistance to help them improve their lending practices (e.g. to gradually move away from collateral-based lending).

³⁶ [CFED Desktop Study: SMEs and Poverty Reduction](#). The upper and lower limits of the missing middle are subject to different interpretations and definitions amongst practitioners (April 2009).

³⁷ Exchange rate used is EUR 1 = USD 1.29 – average rate for period 2010 to 2015 taken from EIB exchange rate application “Cambio”.

Figure 9: Number of allocations by number of employees in enterprises approved

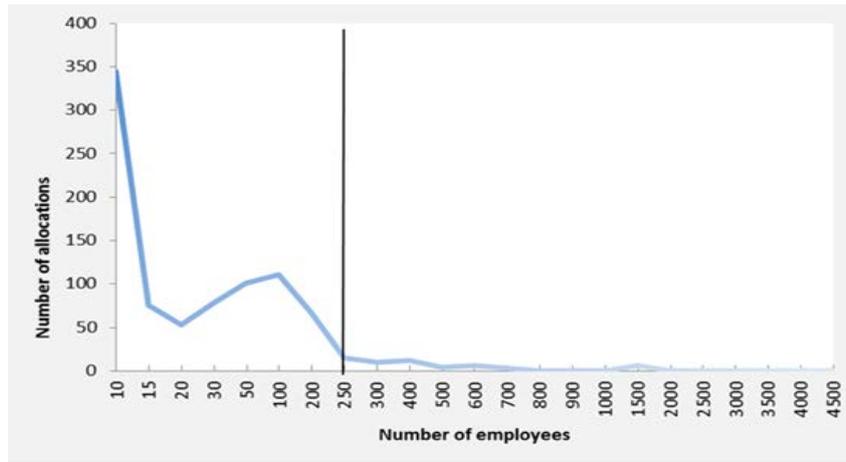


Figure 10: Number of allocations by allocation amount

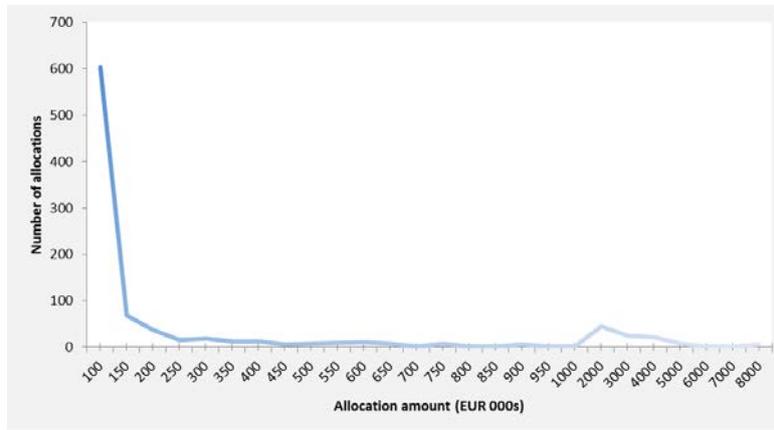
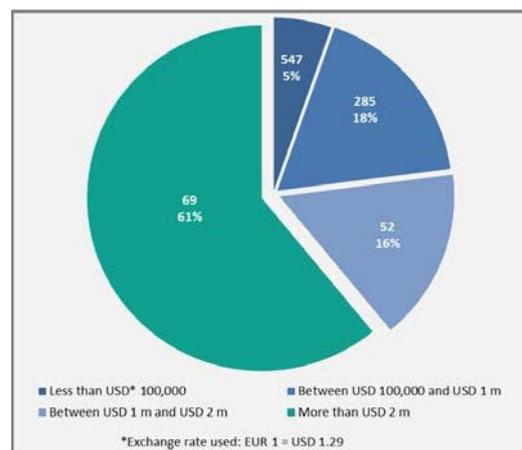


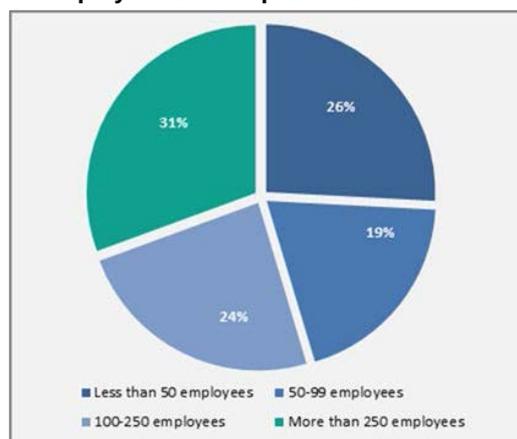
Figure 11: Total lending volume by allocation amount



Nevertheless, the majority of the funding volumes were approved for financing a small number of large projects, which were primarily owned by MidCaps. Indeed, more than three-quarters of lending were for allocations greater than USD 1 m (the proxy used by IFC to define SMEs) and 61% financed allocations greater than USD 2 m. These figures are likely to underestimate the share of total lending for sub-loans greater than USD 1 m or USD 2 m as the allocations do not always account for 100% of the sub-loans.³⁸

³⁸ In some cases, allocations may represent less than 100% of the sub-loan amount (see rules for different MBIL products in Table 1. However data on the amounts of the sub-loans is not systematically available. Therefore this analysis focuses exclusively on allocations.

Figure 12: Total lending volume by number of employees in enterprises financed

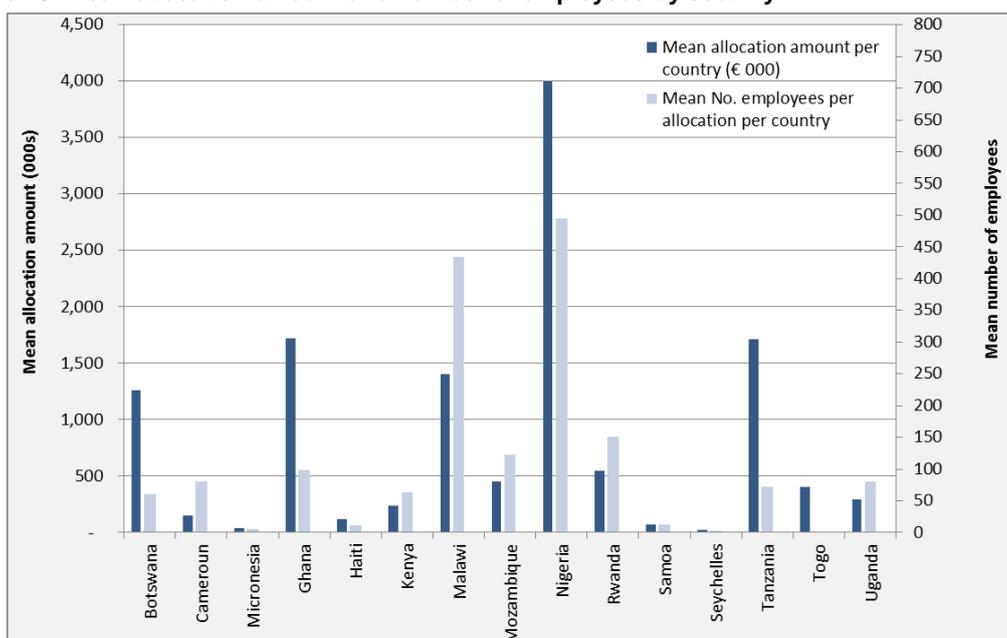


Overall, 31% of total lending volume was approved for enterprises with more than 250 employees and 55% was for enterprises with more than 100 employees, which are considered to be MidCaps by most local and IFI definitions (see Box 3 above).

Whilst in most countries, the EIB mainly approved allocations for SMEs, in others (Nigeria and Malawi), the majority of volumes was approved for large allocations to MidCaps.

In Kenya and Uganda, allocations were approved for a wide range of loan sizes to both SMEs and MidCaps. The average size enterprise was under 100 employees, and the average size loan was under EUR 265,000. By contrast, in Nigeria the average size of enterprises approved was 495 employees. Similarly in Malawi, the average size enterprise had 435 employees. The average loan size was almost EUR 4 m in Nigeria, and roughly EUR 1.7 m in Tanzania and Ghana. Nigeria is the largest economy in Sub-Saharan Africa, with a much larger share of MidCaps than other economies in the region. MidCaps face constraints accessing appropriate finance, which the EIB was in part able to provide through its long-term lending. At the same time, as highlighted by EIB's internal Financial Sector Review for Nigeria (2015), there were considerable constraints in access to finance for SMEs in Nigeria and only a third of EIB's approved volume was for SMEs. According to the World Bank's Enterprise Survey in Nigeria, access to finance is the second most serious constraint facing small Nigerian firms, after access to electricity; 60% of small firms (1-19 employees) see access to finance as a major obstacle, compared to 35% of medium sized firms and 10% of large firms³⁹ Nevertheless, given that SMEs are more likely to have their revenues in local currency and that local currency lending was not possible in Nigeria, it is not surprising that such a small share of lending was approved for SMEs, although it could be argued that funding could have been used to support SMEs in other countries where local currency funding is possible.

Figure 13: Mean allocation amount and number of employees by country



³⁹ Source: EIB Financial Sector Review for Nigeria, January 2015 (internal).

The average tenor of allocations was generally longer than what financial intermediaries could typically provide. Financial systems in ACP countries, and particularly in Sub-Saharan Africa, are characterised by a concentration of short-term loans across all financial institutions and financial markets; 82% of Central African and 71% of East and Southern African banks have more than three quarters of their deposits with a maturity of less than one year (see Table 3).⁴⁰ By contrast, the weighted mean tenors approved for EIB allocations ranged from 3.5 years to 8.5 years depending on the region. This could be an indication that EIB funding allowed financial intermediaries to lend for longer maturities than they would otherwise have been able to. Longer maturities allowed final beneficiaries to invest in more capital-intensive activities, which have a longer economic life and hence require longer term financing (Table 4).

Table 3: Share of banks for which more than 75% of deposits are short term (<1 year maturity)

Country	
West Africa	49%
Southern Africa	71%
East Africa	71%
Central Africa	82%

Source: Trade Finance Survey, AfDB 2014.

Table 4: Weighted mean tenor (months) of EIB allocations by region

Country	
West Africa	57
Southern Africa	104
East Africa	81
Central Africa	88

Source: Serapis.

Moreover, where information on local market maturities was available (Kenya), tenors on EIB allocations were significantly longer than the market average. Indeed, in the case of Kenya, EIB allocations had a weighted average maturity of 68.5 months compared to an average market maturity (all domestic and foreign banks) of 43.3 months, suggesting that Financial Institutions receiving IF MBILs could offer sub-loans more than 2 years longer than the market average.

Table 5: EIB allocations vs. average SME loans in Kenya (maturities)

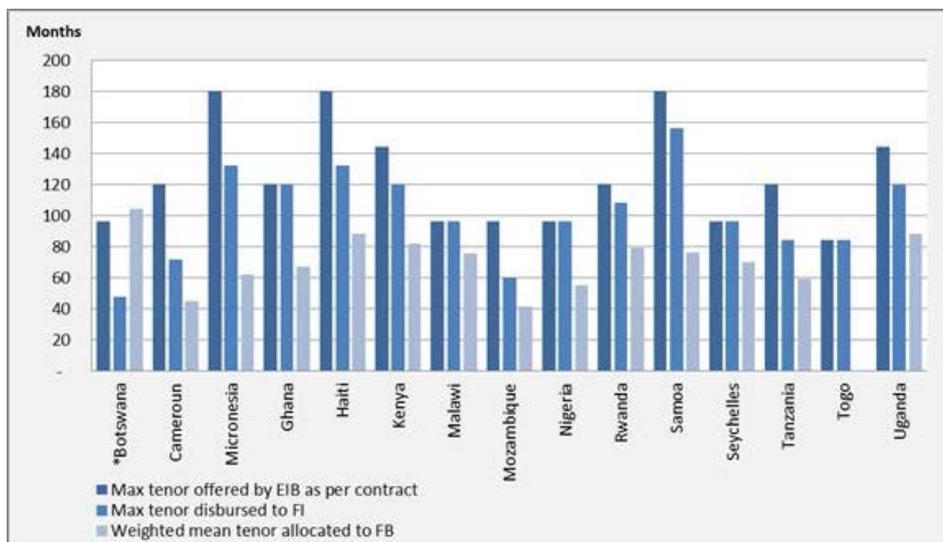
Finaccess survey	Type of business	Average maturity (months)	
		Domestic bank	Foreign bank
	Small enterprises	37.8	36
	Medium enterprises	40.1	47.8
	Large enterprises	47.9	50.4
	Average (A)	43.3	
EIB allocations (weighted average)	KES	65.0	
	USD	97.0	
	Bundled currencies (B)	68.5	
Difference	(A)-(B)	25.2	

Sources: Background paper prepared for the Evaluation using data from [Bank financing of SMEs in Kenya, Finaccess Business – Supply, September 2015](#), Serapis.

⁴⁰ Source: Making Finance Work for Africa 2007, the World Bank.

Tenors offered by the EIB to intermediaries were, on average, longer than those approved for final beneficiaries. The weighted mean tenor allocated to final beneficiaries was 39% lower than the maximum offered under the EIB contract. While some enterprises required longer than average tenors, the maximum tenors disbursed to the financial intermediaries (and hence the longest tenor requested for a given disbursement) was, on average, 20% below the maximum tenor allowed by the EIB operation, suggesting that demand for long-term funding may have been over-estimated. Moreover, when the tenor disbursed was significantly shorter than the tenor allocated, the re-use of funds was not adequately monitored (see Section 6.4).

Figure 14: EIB tenors: Contracts, disbursements and allocations



* Botswana is the only country for which the weighted mean tenor allocated to clients was higher than the maximum tenor offered and taken by intermediaries. Background documentation shows an allocation to a final beneficiary with a tenor of 120 months, which was therefore above the eligible term ceiling allowed by contract (information confirmed by Services).

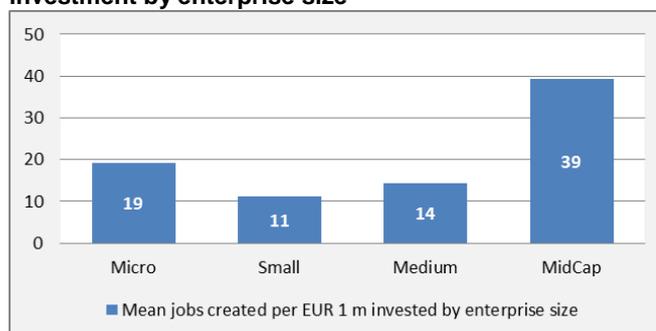
A very significant share of lending was in local currency, eliminating the exchange rate risk, for both intermediaries and their clients. During the evaluation period, 47% of lending volumes and 88% of the number of allocations were in local currency. Moreover, 99% of small allocations (under EUR 100,000) were in local currency, eliminating exchange rate risk for the smallest enterprises, while 58% of large allocations (over EUR 1 m) were in hard currency, typically to MidCaps which are more likely to trade in hard currency.

MidCaps were expected to create the most jobs; overall, on average, and per EUR invested.

This information is based on the information reported by the financial intermediaries in the allocation requests, and as such it is indicative. The 27 IF MBILs operations approved between 2010 and 2015 were expected to create 22,324 new jobs and sustain 47,649 existing jobs. The majority of the jobs were expected to be created in Kenya

and, to a lesser extent, in Uganda. MidCaps were expected to account for 53% of new jobs created. The mean number of expected job creations per MidCap was 219 compared to 33, 8 and 3 jobs by medium, small and micro enterprises respectively. MidCaps were expected to create 39 jobs per million euro invested in the projects financed, compared to 14, 11 and 19 jobs by medium, small and micro enterprises.

Figure 15: Mean number of jobs created per EUR m of investment by enterprise size



However, the data on jobs should be interpreted with caution. EV found evidence that job estimates in the allocation request forms could be unreliable. Interviews with about 40 final beneficiaries suggested that data on number of jobs expected to be created by the projects financed was, in most cases, computed by the financial intermediary based on an analysis of the final beneficiary's loan request and was not necessarily reported by the final beneficiary itself. The vast majority of final beneficiaries interviewed indicated expected job creations which differed from the ones reported by financial intermediaries to the EIB in the allocation sheets (either more or less jobs were expected to be created). In a number of cases, similar activities for the same final beneficiary generated drastically different job estimates from one allocation to another. Moreover, the number of jobs actually created by the projects is not monitored or reported back to the EIB. In addition, EV compared the "ex-ante" job estimates at the operation level, which are provided in the REM sheets at the time of approval, to the number of jobs provided by the financial intermediary at the time of allocation, which according to the REM methodology are considered part of the "actual jobs sustained" (although they are also estimates). The findings are indicative as the analysis was based on only 6 MBILs which had been fully allocated and the pro-rating of expected jobs for another 10 MBILs which had not yet been fully allocated. REM estimates were found to be considerably misaligned with the allocation data. In the vast majority of cases, REM values greatly over-estimate the number of jobs expected to be sustained (i.e. existing jobs plus new jobs created) with respect to what is later reported by financial intermediaries. On average, the number of jobs created and sustained based on the allocations data deviated from the REM estimates by 125% (see Section 6).

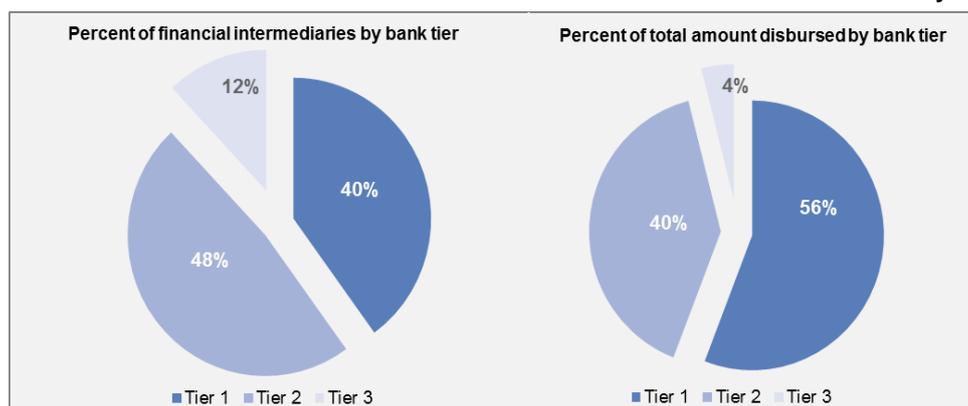
5. STRENGTHENING THE FINANCIAL SECTOR AND INTERMEDIARIES

This evaluation finds that MBILs can contribute to strengthening local financial sectors by supporting local, second tier, banks and thereby contribute to increasing competition. The majority of IF MBILs financed tier 2 and tier 3 banks, addressing a number of significant needs, such as maturity and currency mismatch, and providing a strong signalling effect by often being the first IFI to support the financial intermediaries.⁴¹ In addition, the EIB tailored its objectives to local financial market needs. However, MBILs can only address liquidity constraints and the Bank has, to a much more limited extent, also used other instruments which address non-liquidity related constraints to financial sector development. Finally, while for the most part, the EIB provided long-term finance in ACP markets where there are no or limited funding alternatives, in some more developed markets, the low EIB lending rates could at some point, as markets continue to develop, risk stifling the development of local debt capital markets and hence financial sector development (particularly if there is no transfer of interest rate advantage) and should be closely monitored.

5.1 Did MBILs contribute to broadening and deepening local financial sectors?

MBILs provide long-term liquidity and can contribute to increasing competition. As highlighted by Services in an internal note dated 2010, the provision of long-term liquidity to small local banks, where possible and relevant, can contribute to increasing competition in financial sectors and potentially help to break up oligopolistic structures. Indeed, of the EIB-financed financial intermediaries for which bank tier data was available, 60% were tier 2 and tier 3 banks, although they represented only 44% of MBIL volumes.⁴²

Figure 16: Number of EIB-financed financial intermediaries and total amount allocated by bank tier



However, it should be noted that MBILs can only address liquidity-related constraints to financial sector development and are not necessarily adequate to address other impediments, including small national markets, low income levels, weak creditor rights and weak judicial enforcement mechanisms, which are well beyond the remit of the EIB and are the focus of other partner institutions, such as the EC or the World Bank, that engage in policy advice.

⁴¹ Data on bank tiers was not available for 10 of the 35 financial intermediaries. The classification is based on national criteria that include different measures such as net assets, capital and reserves, customer deposits, number of loans and deposit accounts. Large banks are classified as tier 1, medium sized banks as tier 2, and small sized banks as tier 3. Information about the bank tier predominantly comes from the most recent articles available in the local financial press, unless the IFI clearly reported on the intermediary bank tier. This approach has its weaknesses, especially since bank classification varies in the period considered, and the financial crisis has led to consolidation in the banking sector, which is still emerging and quickly developing in most ACP countries.

⁴² The economic downturn in a number of African countries has recently led to bank failures amongst tier 2 and tier 3 banks and hence the risk in lending to these banks has increased to the extent that future EIB lending may not be possible,

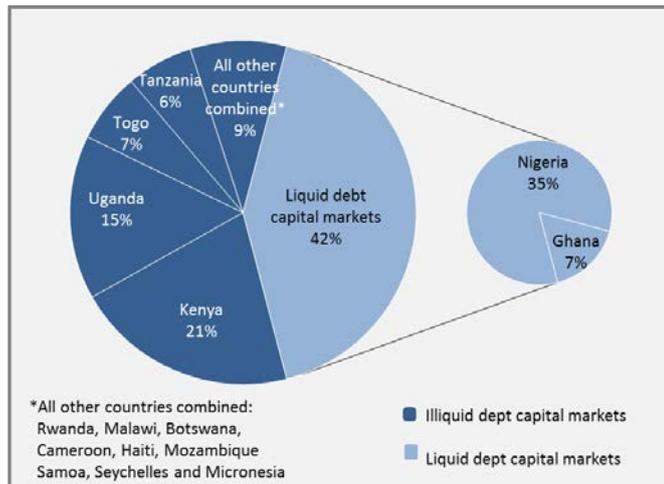
The Bank has, to a much more limited extent, also used other instruments which address non-liquidity related constraints to financial sector development. Indeed, the EIB can also contribute to strengthening local banks and competition through Capex loans, risk sharing guarantees and TA. In four contracts out of 51, the EIB provided Capex loans worth EUR 75 m to banks for the funding of their capital expenditures (such as branch network, IT systems, buildings and training). Three of these banks are in Nigeria and the fourth is in Ghana; all are tier 2 banks. Of the countries where contracts were analysed in depth for the individual evaluations, TA was provided in Kenya, Uganda and Haiti. It was provided under a separate TA operation in Uganda, which aimed at building both the capacity of financial intermediaries, notably in credit risk management and banking and administrative risk management, and the capacity of final beneficiaries in terms of financial literacy and the presentation of bankable projects. TA in Haiti was provided for the capacity building of financial intermediaries. Other potential forms of support to small local banks, which have also been identified by Services, could be explored including for instance guarantees – currently only implemented via the Impact Financing Envelope – or equity. These products could help to compensate for the small local banks' low capital base and resulting weak prudential indicators (e.g. single client exposure or capital adequacy requirements). Finally, the EIB has, to a limited extent, also worked together with partner institutions to address the legal and regulatory constraints; for instance, through the support of AFRITACs and through dialogue within the framework of the Making Finance Work for Africa platform.

For the most part, the EIB tailored its objectives to local financial market needs and selected intermediaries accordingly. In Kenya, the largest and most developed financial market in East Africa, the EIB internal Financial Sector Review and Strategy concluded for a need to strengthen smaller, tier 2 banks, especially for SME lending; indeed, 89% of MBIL disbursements were to tier 2 and tier 3 banks. In Uganda, which scores low on all indicators of financial market development compared to the East African Community, and to all low income countries, the strategy was to strengthen the financial sector through the provision of long-term credit lines in local currency to (mainly tier 2) local banks in order to support SME funding. Indeed both tier 1 and tier 2 banks in Uganda were financed (about 50% each) but only 55% of MBILs were in local currency, reflecting, in part, the partial dollarization of the economy.⁴³ In Nigeria, the EIB's strategy was meant to support the consolidation process in the financial sector at a time when the Nigerian banking sector was emerging from a major crisis. The aim was to support the Central Bank's efforts to deal with the banking crisis and restore confidence in the local banking sector. As a consequence, the EIB's focus was on the tier 1 banks; 61% of MBIL disbursements were to tier 1 banks while 39% were to tier 2.

⁴³ It should be recognised that while local currency can be made available by the EIB, the actual uptake depends on the clients' needs and request.

To a large extent, the EIB provided long-term financing to ACP financial markets where there was no or limited funding alternatives. In most ACP countries, the only alternative sources of funding are through (mainly short term) deposits and borrowings from donors or DFIs. As discussed in Section 4.3, the vast majority of Sub-Saharan African banks have more than three quarters of their deposits with less than 1 year maturities. Moreover, a study carried out by the EIB in 2012 provides a rough assessment of the access to capital markets of the sovereign as a proxy for the access to capital markets of intermediaries. The study shows that the vast majority of MBILs were issued in countries where access to capital markets was limited; only two out of the 15 ACP countries in which the EIB has disbursed MBILs during the evaluation period could be considered to have debt capital markets that were sufficiently liquid (Nigeria and Ghana). However, in volume terms, only 58% of disbursements over the evaluation period were made in countries where access to capital markets was limited and hence where financial intermediaries were considered to have limited funding alternatives.

Figure 17: MBIL amounts disbursed by liquidity cluster⁴⁴



Note: Sample includes all operations within the scope of this evaluation.

The study shows that the vast majority of MBILs were issued in countries where access to capital markets was limited; only two out of the 15 ACP countries in which the EIB has disbursed MBILs during the evaluation period could be considered to have debt capital markets that were sufficiently liquid (Nigeria and Ghana). However, in volume terms, only 58% of disbursements over the evaluation period were made in countries where access to capital markets was limited and hence where financial intermediaries were considered to have limited funding alternatives.

In the more developed markets, where funding alternatives did exist, EIB loans were very cheap relative to the opportunity cost of the local debt capital markets⁴⁵. A study on alternative sources of funding in Kenya, Uganda and Nigeria carried out for this evaluation found that in Nigeria, which has one of the most developed bond markets in the African continent, with bonds issued in both local currency and USD (27 bonds issued in local currency and 9 in USD over the period), MBILs were considerably cheaper than the debt capital market alternative. The 12 IF MBILs were disbursed almost exclusively in USD at variable rates which were below variable rate USD bonds.

In Kenya, a considerably less developed market, but nevertheless the most developed bond market in East Africa, some tier 1, tier 2 and tier 3 banks were active in raising money on the primary bond market. Indeed, of the 28 bonds issued by financial services entities between 2001 and mid-2016, 16 were issued by private banks, of which 11 were issued by tier 2 and tier 3 banks. In fact, four of the ten banks that issued bonds also received funding through IF MBILs. The findings show that, for the same currency (Kenyan Shillings), interest rate type (fixed) and similar weighted average tenors, the weighted average interest rates of EIB disbursements was considerably lower than bond issues.

These findings suggest the need for monitoring the more advanced financial markets in order to avoid a potential risk of stifling the development of local debt capital markets and hence financial sector development as a result of EIB financing. For the time being, most of the bond markets analysed in detail are not developed enough for there to be a risk of restraining their development; while Nigeria can be considered to have a developed debt capital market, Kenya's is growing but still moderately developed and Uganda's financial market is still

⁴⁴ Bloomberg' BVAL is a measure of how well the bonds trade on the secondary market. In order to be considered liquid, the EIB uses a b-value greater than 7 as a benchmark.

⁴⁵ EV considers the local bond market to be the best private sector alternative to MBILs for medium to long term funding as: deposits are mainly short-term; borrowings from private banks are practically in-existent in these countries; and IFIs are public sector.

underdeveloped.⁴⁶ However, in the longer run, given the significant discrepancy in interest rates, particularly in the most developed markets, there is a risk that if these discrepancies persist as markets develop, EIB funding could risk stifling the development of local debt capital markets and hence restrict the opportunities for institutional and private savers to invest in the bond markets. This would undermine the IF objective of financial sector development.

This does not imply that the Bank should not provide MBILs in these markets; in these cases, consideration could be given to whether lower than market interest rate would nevertheless be justified. For instance if in light of the second strategic objective of supporting small and medium enterprises and initiatives, the financial advantage were to be passed on to specific types of final beneficiaries, as is being done in the EU. It could also be justified, for instance, if used to finance particularly small local banks, in order to strengthen their capital base and hence prudential indicators. To this end, the EIB could use the financial value added quantifications, which currently exist for all operations, as well as a more in-depth analysis of the financial (particularly bond) markets to assess whether the risk of stifling debt capital market development exists and whether the transfer of interest rate advantage to final beneficiaries is desirable and feasible.

5.2 Did MBILs contribute to strengthening financial intermediaries?

MBILs, and the way in which they have been implemented during the evaluation period, address a number of significant needs of financial intermediaries. First, long-term lending helps mitigate the intermediaries' maturity mismatch and strengthens their long-term funding, allowing them to finance longer term assets with less risk. Second, access to local currency eliminates exchange rate risks. Indeed, most intermediaries carry out their lending activity (especially those targeting SMEs) in local currency. At the same time, access to foreign currency also helps eliminate the exchange rate risk in cases where intermediaries provide loans in hard currency to export-oriented companies for instance. This is particularly relevant for smaller, local banks which do not have easy access to hard currency.⁴⁷ Third, the attractive interest rates and the absence of obligation to transfer the interest rate advantage to final beneficiaries benefit intermediaries' profitability. Fourth, capital expenditure components (Capex) can directly support intermediaries in their expansion or consolidation strategies. The evaluation studied in detail one of the four contracts which included a Capex loan was provided, revealing that although the EIB support contributed to strengthening the intermediary by helping it outpace its competitors, other factors played a more important role in the overall results of the intermediary and its sustainability. Moreover, the evaluation was not able to get information on what Capex loans were ultimately used for as the funds were fungible in the intermediaries' accounts.⁴⁸ Finally, tailored TA may reinforce the skills of intermediaries: during the evaluation period, a large TA project was mounted for all EIB financial intermediaries in East Africa. Both the reports from the TA in the field and the echoes from the interviewed intermediaries were positive, however it was not possible to assess the extent to which skills and competencies of intermediary staff evolved.

All of the 11 financial intermediaries studied in detail in this evaluation have maintained or improved their competitive position during the period they were supported by the EIB. However, no direct link could be established between the EIB support and the improvement in these intermediaries' competitive positions. Tier 2 banks seem to have

⁴⁶ As of March 2017, for EUR/USD denominated Sovereign bonds with maturity >5 years, Nigeria and Kenya have b-values of 10 (out of 10), whereas Uganda has no hard-currency bond benchmark. However, despite the highly liquid sovereign bond market in Kenya, and a high level of activity in terms of private sector bond issuance in the primary market, the debt capital market is still deemed to be moderately developed because private sector issuers have no access to hard-currency (EUR or USD) medium-long term funding and their local currency bonds, after initial placement, are not subsequently traded, hence not liquid (no bval is assigned).

⁴⁷ As compared, for example, with banks that are part of larger international bank networks.

⁴⁸ The EIB approved a list of expenditures undertaken by the financial intermediary that could be covered by the Capex Loan, but the final (audited) version of this list was not received by the EIB, as requested in the contract, at the time this evaluation was undertaken.

made most gains, while the improvement of these scores is less marked for bigger, tier 1 banks that were already close to the top of their markets, as well as for banks characterised by a conservative approach to growth.

In some cases, the EIB's support helped intermediaries increase their profile and competitiveness in specific market segments. For example, field visits revealed that being able to borrow from the EIB, in hard currency at very attractive rates, allowed locally-owned banks to obtain access to and on-lend in hard currency to enterprises who otherwise would have turned to banks with better international connections (e.g. subsidiaries of larger international banks).

In all cases studied, and especially for smaller or lower tier banks, the EIB's intervention was seen as providing a positive signalling effect. The financial intermediaries studied in detail in this evaluation highlighted how they use their relationship with the EIB as a "selling point" in order to project an image of credibility towards potential financiers and therefore attract more funding. In more than half of the cases studied in detail, (especially smaller or lower tier banks), the loans obtained from the EIB represented their first contractual engagement with an IFI. This is also the case for some of the larger banks in Nigeria for whom the EIB also represented one of the first supporting IFIs. In at least three cases of "long-term" partners, the EIB was the first IFI to extend new loans after a crisis (the 2009 financial crisis in Nigeria, the 2010 earthquake in Haiti and after a non-performing loan crisis for a Pan-African bank).

In addition, some financial intermediaries studied in detail used the favourable interest rates they obtained from the EIB to negotiate better funding conditions from other IFIs. In at least one case, the intermediary negotiated but refused to enter in a relationship with another IFI because the conditions offered by that IFI compared "very unfavourably" with those offered by the EIB. Finally, IFIs pointed out during interviews that the fact that the EIB entered in a relationship with a financial intermediary (and hence performed due diligence) represents a positive factor in exploring the potential of cooperating with that local bank.

6. MANAGEMENT OF THE MBIL PROJECT CYCLE

This evaluation finds that EIB policies and processes are conducive to achieving a high volume of signatures and, to some extent, disbursements. They are also effective at managing financial and commercial risks, as the financial monitoring of intermediaries is thorough. At the same time, some of the MBIL processes and procedures in ACP are insufficiently used to ensure that funds are mobilised in a manner that furthers the IF's policy objectives (increasing access to finance and financial sector development). Policy objectives are operationalised in the REM framework, which provides indicators to measure the expected contribution of individual operations to these policy objectives. However, these expectations are not always sufficiently discussed with financial intermediaries and are only partially reflected in contractual arrangements and reporting tools.

Monitoring and reporting systems are insufficient to track and demonstrate policy results. The issues identified concern: (i) the insufficient quantity and quality of reports concerning allocations as well as the manner in which this information is stored and used; and (ii) the tenuous link between the monitoring of allocations and the REM framework. Expected results, as currently quantified in the REM, are difficult to estimate ex-ante, as little information is known on the portfolio to be financed. Going forward, as more operations come to completion, it will be crucial to compare ex-ante and ex-post results and draw lessons to enhance the ex-ante estimates, so that REM indicators can be used as benchmarks against which to judge the degree of success of the operation. Finally, the results of MBIL operations and their contribution to IF policy objectives could be considerably improved by, amongst others, also reporting on the financial intermediaries' overall portfolios and by providing more detailed information on the results of individual financial intermediaries, particularly under PEFFs.

6.1 The project cycle for MBILs

The project cycle management (PCM) of MBILs in ACP countries is similar to that of MBILs in Europe and neighbouring countries, and to that of EIB projects more generally. OPS identify the business opportunity and other relevant Services (SG/ECON, OCCO, RM/CRD, JU, and occasionally PJ) provide input at PIN and AFS stages. Following due diligence, the proposal is ultimately submitted for approval to the Board of Directors, the contract is negotiated and signed (under JU coordination) and the operation is implemented. During the implementation phase, OPS and TMR share responsibility for monitoring the operation and the financial intermediary, while FI carries out back office work as per its mandate applying to all EIB activities.

The following are the main specificities of the PCM in the case of MBILs in the ACP region:

- Prior to submission to the Board, proposed operations need to obtain a favourable opinion from the IF Committee;
- In addition to providing input at the PIN and AFS stage, SG/ECON prepares Financial Sector Reviews and Strategies for those countries where the EIB has an exposure through the financial system (see Section 2.1); these internal documents, which always cover an analysis of the financial sector, also feature to varying degrees an analysis of the barriers constraining access to finance for SMEs and private enterprises more generally;
- In principle, for MBIL operations envisaged to serve partly or exclusively MidCaps, the Projects Directorate (PJ) should verify, at appraisal stage, the capacity of financial intermediaries to carry out the due diligence on MidCap sub-projects and should also assess the host country's regulation regarding procurement and the environmental and social impact of sub-projects;

During the implementation of final beneficiary projects with a total investment cost under EUR 25 m, PJ has to issue a non-objection opinion in sensitive sectors, and may also

get involved for projects in other sectors upon OPS request. For final beneficiary projects with an investment cost larger than EUR 25 m, PJ's involvement is mandatory;⁴⁹

- Allocations of MBILs in ACP countries are managed by a small team in a division belonging to the Global Partners Department, and not by the Central Allocation Unit (OPS), which manages equivalent operations in Europe and the neighbourhood countries;
- 10 out of 27 of the MBILs signed between 2010 and 2015 are umbrella operations. Internal Board reports include names of potential financial intermediaries that could benefit from the operation, even though in some cases, only a minority is approved at the same time as the operation. Loans to financial intermediaries, usually for up to EUR 30 m, may be approved by the MC at a later date, based on a specific delegation granted by the BoD at the time of the umbrella operation's approval.⁵⁰

6.2 Risks, volumes and expediency

This evaluation finds that the EIB's PCM works well to swiftly achieve signatures and, to a certain extent, disbursements. Certain features that facilitated this during the period covered by this evaluation include:

- *Pricing*: for most of the evaluation period, no unified pricing approach existed for MBILs across ACP. The pricing policy for MBILs has been streamlined and further defined in 2015;
- *Contract extensions*: In almost all cases where financial intermediaries were unable to draw all funds made available by the EIB, contract extensions were granted, sometimes up to two years, which could essentially represent a doubling of the initial availability period. This has helped to raise disbursement rates that, without these extensions, would have been much lower. The necessity of granting these extensions in order to boost disbursements is also an indication of the relative lack of effectiveness of other mechanisms put in place to achieve the same result (e.g. commitment fees or "first come first serve" schemes, as well as ex-ante assessment of financial intermediaries' pipelines to identify potentially eligible projects);⁵¹
- *Umbrella operations*: by undertaking umbrella operations, such as the PEFFs, the EIB managed to shorten the timeline of approval of these operations, as well as the approval time for financial intermediaries borrowing usually less than EUR 30 m under these facilities.

There was also evidence that the PCM functions relatively well for managing risks. Some examples include:

- The assessment of each potential financial intermediary presents an in-depth analysis of their financial situation. This provides assurance that the intermediary is sufficiently sound to be an EIB partner;
- The opinions provided by OCCO with the appraisal documents appear to be well researched (sometimes with additional consultant support) and they are often discussed in the IF Committee, leading occasionally to the rejection of a proposed operation on the grounds of the potential reputational risk that the EIB would run;
- Systematic "counterpart reviews" carried out annually by TMR provide a comprehensive image of the risk that the EIB is taking by working with those financial intermediaries and its evolution over time.

⁴⁹ Services pointed out that in practice this procedure is only applied to the more recent generation of MBILs (namely the Loans for SMEs and MidCaps) and not so for Global Loans. The evaluation team observed that PJ officers were formally part of appraisal teams for more recent operations (after 2013), but not systematically.

⁵⁰ The amount for which the BoD gives delegation is not statutory and may vary from one operation to the other.

⁵¹ With the creation of a team dedicated to financial sector operations in OPS, the regime for granting contract extensions has been reviewed, tightened and harmonised across the region.

As regards Environmental and Social (E&S) risks, EIB E&S safeguards are always taken up with financial intermediaries, although they are not always followed through satisfactorily. All contracts contain clauses with respect to E&S aspects and individual allocation requests (i.e. for an EIB allocation above EUR 200,000) need to be accompanied by a completed E&S sheet. The quality of these sheets was generally found to be low and no trace was found of a dialogue between the EIB and the intermediary with an aim of improving them. TA offered in East Africa included E&S training, but this was not taken up by financial intermediaries, as they considered other areas to be a priority. In addition, those intermediaries working with other IFIs pointed out that some of these (IFC, DEG, Proparco) are more focussed on strengthening intermediaries' capacities in these aspects before any disbursements are made, but less focussed on controlling E&S aspects at allocation level.

Moreover, as money is fungible and allocation lists are found to be interchangeable (see section 6.5), ensuring the compliance with E&S safeguards at the allocation level is no guarantee against reputational risk. The intermediary could be engaging for the most part in funding projects that do not meet the EIB's E&S standards or are in non-eligible sectors, while submitting the sample of its funding for eligible projects to the EIB (and potentially to other financiers). It would be difficult to imagine that the EIB's reputation would remain unblemished if it emerged that one of the financial intermediaries it financed was involved in such activities.

Hence, the assessment of reputational risk, including E&S risks, which the EIB carries out at the intermediary level during the due diligence, is critical. For intermediated lending operations in the ACP, these checks are generally carried out by OPS. Under the MBIL for SMEs and/or MidCaps, PJ should get involved in the appraisal of all operations involving a new intermediary and, where necessary and in consultation with OPS, in operations which include MidCaps. PJ's non-objection is also mandatory for allocation decisions on MidCaps exceeding EUR 25 m and in all allocations to sensitive sectors. During the evaluation period, PJ was indeed part of the appraisal team in all three of the MBILs to new intermediaries. It also participated to the appraisal of six out of the eight intermediaries receiving MBILs that also targeted MidCaps. In the sample of operations studied in this evaluation, the Board report always contains a positive appreciation of the intermediary's E&S standards, usually because the intermediary has adhered to an internationally-recognised programme. In cases where that is not the case, it is not clear whether EIB staff carried out a detailed assessment.

6.3 PCM and policy objectives

The evaluation finds that some of the MBIL processes and procedures in the ACP are not used effectively to ensure that funds are mobilised in a manner that furthers the IF's policy objectives.

First of all, EIB's internal Financial Sector Reviews and Strategies (FSR/FSS) deployed at country level were only partially taken on board in the design of operations. The ACP region is one of the few for which the EIB has developed country-specific financial sector reviews and strategies. These internal documents typically analyse the dual dimension of IF operations, namely: (1) financial sector structure, performance and regulation; and (2) the barriers constraining access to finance for the private sector, particularly SMEs. Services cooperate at pre-appraisal and appraisal stage of operations to ensure consistency between these analytical exercises and the design of MBIL operations. Internal Board Reports reflect well these analyses in view of strengthening financial sectors (choice of product type and intermediary's competitive advantage are well explained), but they provide insufficient arguments as to how the proposed operation will lead to the achievement of the other main objective of the IF intermediated lending (access to finance for private enterprises). In particular, Board Reports provide few arguments as to why a proposed intermediary is well positioned to address private enterprise lending needs, what this intermediary's outreach strategy is, and how the MBIL product is most suited to sustain its lending offer to private enterprises. The comprehensiveness of the analysis of barriers constraining access to finance in the FSRs/FSS could be further enhanced with a view to refining the analysis and the recommendations with respect to EIB's best engagement strategy. In addition, these recommendations could be better used by Services to identify and operationalise instruments other than MBILs, which could be used to address non-liquidity related barriers constraining access to finance.

Secondly, during the evaluation period, EV finds that some of the policy and cross cutting objectives were not sufficiently discussed with financial intermediaries or translated into contractual reporting requirements. The IF policy objectives, namely increasing access to finance and contributing to financial sector development, are translated into output and outcome indicators for individual operations through the REM framework. For instance, the extent to which an operation is expected to contribute to increasing access to finance is measured through the number of small, medium or large enterprises (expected to be) reached, the (expected) average size loan, the (expected) percentage of underserved beneficiaries reached, including women, rural, underdeveloped sectors, the (expected) percentage of first time borrowers, etc. While ex-ante REM data can only be viewed as best estimates at appraisal stage, as very little information is known on the portfolio to be financed, they nevertheless create expectations regarding how individual operations will contribute to IF policy objectives.

Many of the internal Board reports studied as part of this evaluation have clearly drafted sections concerning the justification for the operation, expressed in terms of the policy objectives and results that are expected to be achieved. REM sheets further detail specific expectations (e.g. increasing the tenor of loans by a certain margin, the expected share of SME clients). But these aspects cannot be specifically traced in the finance agreements with the financial intermediaries or related documents (including the allocation reporting templates). For example, the REM sheet for an operation specified that some 10% of the enterprises were expected to be first time borrowers and that 30% of the jobs sustained were expected to be for women. However, neither women nor first time borrowers are included in the reporting requirements appended to the contract. While Services argue that requiring this type of information may be found as overly burdensome for intermediaries and ultimately undermine the signature of contracts, most intermediaries interviewed explained that they could provide more specific information on development-related aspects (e.g. gender) if asked to do so. Moreover, none of the ten financial intermediaries interviewed in the field had recollections of having discussed the REM expectations set at appraisal stage during the early contacts with the EIB, although preliminary, generic discussions on social impacts and the need to report on issues such as jobs had occurred.

Thirdly, allocations are approved based on the eligibility of proposed projects, which only partly reflect the policy objectives as operationalised in the REM sheet. Allocations are approved based on eligibility criteria (e.g. EIB E&S standards, eligible sectors and types of activities to be financed, loan size within a certain limit, share of project costs to be financed by the EIB). Their expected contribution to policy objectives, as set out in the REM sheets, is not considered, even when the indicator exists in the allocation template. For instance, if an operation sets out expectations for 100% SME financing in its REM sheet, the size of enterprise (i.e. only SMEs) is not included as selection criteria, thus allowing allocations made to MidCaps or larger enterprises to be approved. For example, the REM sheet of an operation specified that 100 loans were expected for SMEs and 0 loans for “other” final beneficiaries. In practice, none of the allocations were for SMEs; all were large tickets to 13 MidCaps. In other cases, namely for expectations regarding share of women and first time borrowers, the allocation templates analysed did not include such indicators; hence information was impossible to collect and to base a decision on.

Finally, both the EIB and financial intermediaries take a pragmatic approach with respect to the approval of allocations, geared mainly to expediency, which is not necessarily conducive to selecting projects that further IF objectives. On the one hand, several of the intermediaries studied identified relatively quickly the types of projects that were approved by the EIB and, in some cases, continued submitting the same kind of (often uncomplicated) projects. Examples include a financial intermediary whose allocation portfolio is composed primarily of loans to finance vehicle purchases and another one, whose allocation portfolio concentrates on finance for private schools. No evidence was found that the EIB considered the effects of this situation in terms of its ability to reach the broader economic and social objectives outlined in operation approval documents and in the IF policy documents (either on the positive or negative side). On the other hand, the evaluation was informed that the EIB tried to avoid, to the extent possible, more “complicated” allocation requests that would require additional

scrutiny and therefore lengthen the approval process (e.g. allocation in sensitive sectors, allocations requiring an in-depth Environmental Impact Assessments, etc.). Several financial intermediaries pointed out that they selected projects with low E&S risk to present to the EIB and systematically excluded those with high E&S risks, thereby circumventing the more demanding E&S requirements, such as an independent EIB assessment of environmental impact and risks. This behaviour could theoretically lead to the exclusion of potentially higher impact – but more “complicated” – projects.

6.4 Monitoring

This evaluation finds that, overall, monitoring is not sufficiently adequate to track and demonstrate policy results.⁵² Opportunities for the EIB to take action in the course of an operation to ensure results are reached and to learn from the past are therefore reduced.

First, there is currently no monitoring of progress toward achieving expected policy results. The expected results of each operation are set out in the REM sheet. The allocation system provides information on allocations approved. At the end of the allocation period, when all funds have been allocated, the data on individual allocations is added up and compared to the expectations set out at approval in the REM sheets. However, at no time during the allocation period are allocations monitored to determine how the operation is progressing with respect to the expectations set out at approval. Consequently, the EIB takes no action to encourage the intermediary to change the types of allocations submitted, if necessary, in order to meet the expectations and/or to understand what may have caused a divergence between ex-ante expectations and actual results. One case in point is an operation for which allocation data shows that about 88% of the 124 sub-loans approved were for the purchase of vehicles (tractor, bus, car, etc.). Given the nature of the projects financed, it is highly unlikely that 40% of the jobs sustained will be for women, as indicated in the REM sheet appended to the internal Board Report. If the allocations had been monitored with a view to assessing whether the operation was on track to meeting expectations, the EIB could have re-directed the focus of the allocations toward sectors and types of activities which are more likely to involve women.⁵³

Moreover, the recent tendency to require less information from intermediaries could make monitoring of progress toward achieving expected results more difficult. The evaluation observed large differences with respect to the level of information required from the various financial intermediaries studied in detail. Generally speaking, smaller, newer partners, especially in East Africa, were required to provide very detailed information on the projects selected as potential allocations, including the credit analysis that led to the approval of the loan from the financial intermediary to the final beneficiary.⁵⁴ Larger banks having a longer relationship with the EIB (especially in Nigeria) were asked to provide considerably less detailed information about the intended allocations, despite the much larger size of each individual allocation. As explained by the Services, this reflected the level of trust built over time with older clients, and a need for improved efficiency. In both cases, the reporting requirements to the intermediaries do not allow for the collection of the necessary data to inform all REM indicators. While most indicators can be based on information received in the allocation requests (e.g. number of final beneficiaries, average loan size), some are more problematic. Examples include numbers of first time borrowers (information not requested from intermediaries); number of jobs sustained (definitions of what they should specifically report on was not always clear), fiscal revenue generation (information not asked and not extracted from annual accounts of intermediaries). For more recent operations, the tendency is to ask only for the information strictly necessary to determine if an allocation is eligible, and the templates were adjusted in this

⁵² As explained in Section 6.2, the financial and risk counterpart monitoring works well.

⁵³ It should be noted that the need for monitoring progress toward expected results is independent of whether an allocation and/or portfolio approach is used. Progress toward achieving expected results in terms of increasing financing for target groups (SMEs, MidCaps, women, longer term loans etc.), can also be monitored at the portfolio level by looking at the share or total volume of financing to those groups.

⁵⁴ This refers primarily to larger projects, as the block allocation templates are quite uniform across the region and the period, requesting just basic information about the underlying projects.

direction. The risk of this new approach is that the EIB's ability to monitor progress toward expected results of the contract will further diminish.

Second, as little information is known regarding the portfolio of enterprises to be financed, REM indicators for MBILs are very difficult to estimate ex-ante, thereby limiting their use in assessing the value added of operations ex-ante and judging their level of success ex-post. REM estimates are based on the intermediary's existing portfolio (or on pipeline when the latter is available) and an assumption that the EIB will approve allocations that are representative of the intermediary's current eligible portfolio. EV's preliminary analysis, based on a rather limited sample of data, comparing REM expected results to data collected through allocations shows a significant discrepancy between expected and reported values. As shown in Table 6

Box 4: The Results Measurement Framework (REM)

The REM framework was introduced in 2012 as a tool to strengthen the assessment, measurement and reporting of the EIB's operations' results outside Europe. The REM is structured around three pillars, as follows: Pillar 1 rates the contribution to EU, national, and EIB strategic objectives. Pillar 2 rates the quality of the operation through its expected results. Pillar 3 rates the additionality of the EIB relative to the market alternative. The REM uses a set of indicators, some of which are project-specific, some of which are sector-specific, while some are core system indicators and need to be filled in for all projects in all sectors. Indicators are set during the project identification and appraisal phase, when a benchmark is also established. They are then to be reviewed at the end of the allocation period.

below, REM estimates deviated significantly from the allocation data (they both overestimated and underestimated the data reported through the allocations). On average, the actual number of loans reported in the allocations deviated by 65% compared to estimates in the REM sheets (either above or below the estimates) and the average size loan deviated by 1612%, although the median deviation was only 65% indicating that half of operations deviated by more than 65%, while the other half deviated by less than 65%. Although the sample of fully allocated operations is not large enough to be conclusive, if the current trend were to be confirmed, the Bank should examine how it could improve the REM for MBILs to make it more useful in assessing an operation's value added ex-ante and judging the level of success ex-post. This could include, for instance, considering whether indicators could focus more directly on measuring the contribution to policy objectives; e.g. rather than setting expected results for the number of SMEs or the average size loan, setting expectations for an increase in the share (or absolute number) of loans for SMEs, the share (or absolute number) of loans with longer-term tenors, etc. in the overall portfolio, thereby contributing to making operations more policy driven.

Table 6: Allocation data vs REM estimates: average % deviation (absolute values)⁵⁵

Indicator	mean % deviation	median % deviation
Jobs sustained ⁵⁶	125%	79%
Total number of loans	65%	74%
Average size loan	1612%	65%

Estimating results ex-ante is particularly difficult in the case of PEFFs, where financial intermediaries may not be known at the time of approval. While the REM expected results (Pillar 2) are completed for each financial intermediary, when these are identified and appraised, this

⁵⁵ Of the 27 operations in the portfolio, 11 had REM sheets. Eight operations did not have a REM sheet and the remaining eight had not been disbursed during the evaluation period. The 27 operations cover 51 contracts, of which 16 have REM sheets (for some operations, a REM sheet was filled in per intermediary bank). Among these 16 contracts having REM sheets, 38% were fully disbursed, 19% had disbursed between 70-99%, 19% had disbursed between 49-70% and the remaining 25% had disbursed less than 49%. For the 10 operations which have not been fully allocated, REM results were pro-rated by the percent disbursed. One outlier out of 16 observations was removed from the analysis of the average loan size.

⁵⁶ The expected values for the indicator jobs sustained in the REM sheet if compared against the sum of existing jobs and expected job creation reported in the allocation forms.

is not done for EIB additionality (Pillar 3). For PEFFs, Pillar 1 (contribution to EU, EIB and national policy objectives) and 3 (EIB additionality) are completed at the operation level and remain unchanged from one financial intermediary to the other. However, since the EIB contribution to an intermediary is tightly interrelated with the characteristics of the intermediary and the context in which it evolves, some indicators of Pillar 3 should be filled in based on information specific to each financial intermediary. In addition, in the case of these PEFFs, information at the operation level can only be aggregated manually because, for the moment, Serapis has not been able to accommodate indicators at the contract level. The Evaluation team was informed that this is currently being developed.

Third, the re-use of funds is not monitored when the tenor of allocations is shorter than the tenor of disbursements. In principle, re-use of funds (to finance new final beneficiaries once the “first wave” repaid their loans) was “permitted” under global loans and “not excluded” under loans for SMEs and MidCaps. The “second wave” of allocations did not have to be approved by the EIB, but the financial intermediary was held to report on this, by providing an updated list of beneficiaries and projects on an annual basis. The contracts studied as part of this evaluation only make specific reference to the re-allocation of funds in cases of voluntary or on-demand prepayments by the final beneficiary, but not to the re-use of funds in cases of tenor mismatch between allocations and disbursements. This practice diverges from that of other DFIs providing long-term finance, which specifically request financial intermediaries to re-use funds several times when shorter tenors are extended to final beneficiaries and report back on this specific matter.

Finally, ex-post monitoring of allocations is weak. The financial intermediary is required to provide annual reports to the EIB with information on the characteristics of the sub-loans and their performance during the preceding financial year. The quantity of information required varies but generally includes: (a) basic data about the sub-loan and final beneficiary (such as amount allocated and date of allocation, amount and date of EIB disbursement, amount and date of disbursement to final beneficiary, project cost, etc.); (b) varying amounts of other data such as: jobs created, outcomes (i.e. an assessment of the success of the project and its impact as compared to what was foreseen), environmental issues that have had to be dealt with before or during implementation, employment at appraisal and employment actual, sales projections at appraisal and actual sales level, Return on Equity and Internal Rate of Return, as compared to what was foreseen at appraisal, etc.

Only a handful of these reports could be identified by the Evaluation in EIB’s systems. Because of the lower priority given to the monitoring reports on actual allocations that financial intermediaries are asked to provide, and the limited feedback provided to intermediaries on these reports, the quality of the reports studied as part of this evaluation is low, in addition to the fact that the reliability of the data cannot be easily checked. Some of the most commonly encountered issues are: reporting on the initial expected figures rather than on current status (e.g. on job creation), incomplete or uninformative data (e.g. “on track” to describe the level of progress of the final beneficiary project). As a result, the EIB has no aggregated information on the actual economic and social impacts of the projects it approved through allocations.

One of the reasons for this situation is that the Service which is the main contact point for the intermediaries once the contract is signed (TMR) is not responsible for the reception, storing and analysis of the allocation reports, which falls within the responsibility of the allocations team (OPS). Moreover, currently, EIB’s IT system (Serapis) does not allow for the information contained in the allocation reports sent by financial intermediaries to be easily imported, stored and analysed. Furthermore, there is no direct link with the information in the REM system, so achieved values cannot be matched with expected indicator values or analysed in a transversal manner to draw conclusions about the progress of operations against expected indicator values and other policy or cross-cutting objectives (e.g. number of first time borrowers, share of women among final beneficiaries). It is expected that a tool allowing for the import of allocation report data, currently under development, will become operational in 2017.

6.5 Reporting

The evaluation finds that reporting on the results of MBIL operations and their contribution to IF policy objectives could be considerably improved.

It is questionable whether reporting on EIB allocations can be viewed as reporting on the actual projects financed by the EIB or whether it should rather be, more accurately, viewed as reporting on a sample of sub-loans, approved by the EIB, that meet EIB eligibility requirements and which the EIB, in principle, agreed to finance.⁵⁷

Firstly, the findings of the evaluation suggest that allocation lists are mutually interchangeable; projects submitted to the EIB can easily be replaced by other projects provided they meet EIB eligibility criteria. Indeed, the evaluation observed that in cases where the EIB objected to a proposed allocation or the proposed allocation would require additional scrutiny by EIB Services and hence delay the approval process, the financial intermediary was able to swiftly replace it with another proposal. Hence, it is questionable whether the allocation lists approved by the EIB can be considered to be the projects actually financed by the EIB.

Secondly, as money is fungible, it is very difficult to trace EIB funding to specific final beneficiaries, especially in the case of MBILs where, unlike direct operations, funds are not disbursed against actual expenditures. Once IF funds reach the intermediary's account, they can be invested in a number of various ways and it is not possible to ensure EIB funds are allocated to specific final beneficiaries, let alone to ensure that they finance specific projects of those final beneficiaries.

Thirdly, despite the transparency requirements concerning the source of funding, EV field visits revealed that the vast majority of beneficiaries interviewed did not know that they received funding from the EIB. According to EIB procedures, the financial intermediaries have to inform final beneficiaries of the EIB involvement in the funding of their loan. This is stated in the EIB contracts with financial intermediaries through the so-called "visitation rights clauses". The intermediaries are also held to include this clause in the sub-loan agreements with the final beneficiaries. However, the clause included in sub-loan templates is very generic and usually does not specifically mention the EIB or any link that might exist between the loan and the EIB.⁵⁸ In the small sample of actual (not template) sub-loan agreements signed with final beneficiaries reviewed by this evaluation, even when the visitation clause was included in the sub-loan agreement, several final beneficiaries had only become aware of the involvement of the EIB in their loan when intermediaries had to make arrangements for the visit of the Evaluation team.⁵⁹

Furthermore, there is no evidence that some (or all) of the final beneficiaries submitted to the EIB for approval are not also reported to other IFIs. Indeed, one of the SMEs visited during the field visit informed the Evaluation team that the financial intermediary had recently arranged a visit from the AfDB, which was also told it had financed the same investment. Although this was an isolated example it goes to show that the extent to which allocation lists can be considered projects actually financed by the EIB is questionable.

Finally, the allocation system would allow the tracing of EIB funding to final beneficiaries in cases where the EIB could require intermediaries to transfer the interest rate financial

⁵⁷ This refers to all allocations, whether information is provided for approval before a disbursement or for justification after a disbursement.

⁵⁸ The word "Bank" does appear in the clause, but it is not defined as "the European Investment Bank", which is otherwise not mentioned in the agreement. Throughout the agreement, "the Bank" refers to the financial intermediary. The clause only makes reference to "competent EU institutions, including the Court of Auditors of the EU, the EC and the European Anti-Fraud Office".

⁵⁹ Most intermediaries informed the evaluation that they chose not to inform final beneficiaries of the involvement of the EIB for several reasons, including the risk that final beneficiaries would consider their loan more akin to a grant and would therefore stop repaying it or would try to negotiate a much lower interest rate than what was on offer.

advantage to final beneficiaries (see section 5.1) and final beneficiaries were aware that they received financing by the EIB, as is the case for MBILs in the EU.

Moreover reporting on allocations, including in aggregate form through the REM framework, is insufficient to assess contribution to policy objectives and could be enhanced by (also) reporting on the overall portfolio. If one of the policy objectives of the IF is to increase access to finance for specific groups (e.g. SMEs, MidCaps, women, first time borrowers, etc.), simply summing up allocations provides little information as to whether access to finance for these groups has actually increased, either in absolute or relative terms. In fact, it could have decreased in the intermediary's overall portfolio, while at the same time the sample of specific beneficiaries was reported to EIB. In order to improve reporting on contribution to policy objectives, reporting on the overall portfolio could (also) be considered.

Indeed, the EIB is the only IFI (including DFIs) to approve either individual allocations or indicative pipelines of allocations before disbursement. Other IFIs either monitor the whole portfolio of the intermediary, on the premise that money is fungible, or request an ex-post list of allocations. In the portfolio approach, a thorough analysis of the intermediary's portfolio results in the setting of overall targets for certain segments over the period of support (e.g. increasing volume or share of lending to SMEs or other target groups, increasing average tenor etc.). It generally involves supporting the financial intermediaries (e.g. support to credit risk assessment, E&S systems etc.) with a view to achieving these targets. It allows for the tracking of changes in the overall lending behaviour of intermediaries and therefore having a better view on the sustainability of the operation's results. It can also have a beneficial effect on the level of effort the intermediaries need to put into reporting progress, especially if targeted segments follow the client categorisation used by the intermediary in its current activity.

Finally, reporting to the IF Committee is highly aggregated and provides insufficient information on the results achieved through individual financial intermediaries. Reporting to the IF Committee occurs primarily in the annual reports and business plans concerning the IF's entire activity. These contain a mix of financial information (e.g. amounts signed, number of allocations) and success stories. Sometimes requests for approval for new intermediated lending operations include short assessments (primarily quantitative) of past operations, but the evaluation team encountered no specific reporting on individual operations' level of achievement or contribution to achieving IF policy and cross-cutting objectives.⁶⁰ In the case of PEFF facilities validated before the list of financial intermediaries is finalised, no follow up information is provided with respect to the intermediaries actually served through the facility and the results achieved.⁶¹

⁶⁰ The information typically provided concerns rates of disbursements and number of allocations made.

⁶¹ As this evaluation report was being drafted (early 2017), EIB Services were in the process of elaborating a template for reporting in more detail on intermediated lending operations to the IF Committee. The first report based on this template was expected to be published in mid-2017.

7. CONCLUSIONS AND RECOMMENDATIONS

C1: The IF MBILs address an important barrier constraining access to finance and financial sector development in ACP countries; namely the unavailability of long-term liquidity, particularly in local currency. The EIB has used other instruments, albeit to a more limited extent, to address a number of other important barriers. It could have the means of achieving a higher impact if it were to adopt a more comprehensive approach by continuing to explore and, when feasible, use a combination of instruments that address the wider range of constraints, and coordinate with partner institutions that support legal and regulatory reform.

IF intermediated lending has two main objectives: (1) to support small and medium enterprises and initiatives; and (2) to broaden and deepen local financial markets.

This evaluation finds that MBILs contributed to achieving these objectives by addressing one of the numerous barriers constraining access to finance and financial sector development in ACP countries; namely the unavailability of long-term liquidity, and particularly in local currency. MBILs increase access to long-term finance for SMEs and larger enterprises by providing liquidity to intermediaries with longer maturities than they could typically access, thereby allowing them to meet the demand for longer term loans that match the economic life of their clients' investments. Moreover, the provision of liquidity in local currency eliminates the exchange rate risk for intermediaries and final beneficiaries and therefore ultimately reduces the cost of loans for final beneficiaries, a key comparative advantage as compared to alternatives offered by other IFIs.

However, insufficient long-term local currency liquidity is only one of the many barriers constraining access to finance and the development of local financial markets. Other equally important barriers can be grouped into three categories and relate to:

1. The risk of lending to SMEs and MidCaps: e.g. unavailability of instruments, such as guarantees and insurance, for financial intermediaries to manage portfolio risk; unavailability of information about borrowers due to non-existent or underdeveloped credit reporting, collateral registries, or payment systems; and low capital base of small local banks.
2. Limited knowledge and capacity: e.g. financial intermediaries' skills to adequately assess the credit risk of SMEs; SMEs' ability to prepare bankable business plans.
3. Underdeveloped regulatory environments: e.g. weak laws and regulations in terms of creditor protection, capital requirements, etc.

The Bank has used, albeit to a limited extent during the evaluation period, other types of instruments, such as risk sharing guarantees, equity and technical assistance to address some of these barriers. These instruments ultimately aim to bring about a change in the lending practices of financial intermediaries to encourage them to extend more long-term loans to SMEs in particular. Some of the other barriers could also be addressed by strengthening cooperation with partner institutions, such as, for instance through the support the Bank has provided to the IMF Africa Regional Technical Assistance Centres (AFRITACs) for strengthening banking system regulation and through dialogue in the context of the Making Finance Work for Africa platform. By cooperating with partner institutions, the Bank could devise a more comprehensive approach and maximise long-term impact.

While the ACP region is one of the few for which the EIB has developed country-specific internal reviews and strategies, the comprehensiveness of the analysis of the barriers constraining access to finance is variable. It could be further enhanced, while taking into account data availability and EIB's resource constraints, leading to a better identification and operationalisation of a package of other instruments that could address non-liquidity related constraints at the country and at financial intermediary level.

Finally, for the most part, the EIB provided long-term finance in ACP markets where there were no, or limited long-term funding alternatives. However, in some more developed markets, the low EIB lending rates could potentially risk stifling the development of local debt capital markets, and hence financial sector development, as these markets further develop. Lower-than-market interest rates could be justified in some cases, for instance when the financial advantage (ToFA) in the form of interest rate rebate is passed on to final beneficiaries to support certain priority sectors or cross-cutting objectives.

R1: In order to maximise impact in terms of access to finance and financial sector development, the Bank should continue to explore and, when feasible, use instruments that address not only liquidity constraints, but also barriers relating to the risk of lending to SMEs and to weaknesses in the capacity of financial intermediaries and SMEs. When relevant, it should also further develop possibilities for coordination with partner institutions that address legal and regulatory barriers.

R1.1: To strengthen the potential impact of operations, the Bank should further enhance the analysis of the barriers constraining access to finance, including: the actual and perceived risk of lending to SMEs and MidCaps; the capacity of the financial intermediaries to assess the risk of SMEs; the capacity of SMEs to prepare bankable business plans; and the legal and regulatory frameworks. This should cover barriers both at the country level and at the level of the financial intermediaries selected for the operation. This should more systematically result in the identification of potential combinations of instruments (e.g. MBILs, risk sharing guarantees, equity, TA, etc.) to address the multitude of needs, both in terms of financial sector development and access to finance.

MANAGEMENT RESPONSE: PARTIALLY AGREED

As highlighted in the Evaluation Report, the ACP region is one of the few regions of the Bank's operations where country-specific and financial sector specific analyses and strategies are (and need to be) carried out. Despite the huge geographical spread, limited data availability and differences existing across the regions/countries covered by EIB - calling for a modulated use of available resources - country and financial analyses significantly contribute to the Bank's knowledge of the markets where it operates and are already taken into consideration when deploying business. In the context of the existing analytical framework, the understanding of market constraints and business requirements impacting the activity of private enterprises in the ACP Region will be brought to the fore and feed into strategic orientations for EIB financial sector operations in the region. In order to further its knowledge of the characteristics of the SME markets in each of the specific countries covered, the Bank will continue to rely primarily on external sources of data, such as enterprise surveys produced by institutions with a stronger footprint in the relevant markets where the Bank operates. Services will also maximise the return, in terms of internal strategic input, of high level studies and events, including the Report on Banking in Sub-Saharan Africa and the corresponding Roundtable.

The proposed combination of more traditional instruments (e.g. MBILs) with other additional products, resulting in riskier and/or more complex structures, is already on-going on a case-by-case basis depending on market, counterpart and risk features of each region/country covered. It is noted that the Bank already reaches micro-entrepreneurs and SMEs via other instruments (e.g. microfinance, private equity participations), where recipients and impacts are typically looked at in more detail. Technical assistance can also play an important role here.

Work is underway to enlarge the products offered, including risk-sharing and purchasing bonds in local currency, while taking into account the additional staffing that would be required and the extremely limited financial resources available for such riskier products.

R1.2: When relevant, and in order to maximise impact, the needs assessments should also result in an analysis of potential coordination with partner institutions that could, in parallel, address any legal and regulatory constraints.

MANAGEMENT RESPONSE: AGREED

The needs assessment can be performed in cooperation with partner institutions and be strengthened by a more effective use and increased involvement of the SG/GP external offices representation, when and where available, by enhancing their role in coordination with the appraisal teams.

Should such assessment be feasible for specific projects, explicit reference would be made in the approval documents, as appropriate.

In this connection it is worth recalling, as the Report acknowledges, that the Bank has been supporting the IMF-led Regional Technical Assistance Centres across Sub-Saharan Africa (AFRITACs). The Bank's financial support has earmarked technical assistance (TA) in banking regulation and supervision. While AFRITAC's TA is not directly linked to specific projects, it aims at enhancing regulatory and supervisory standards in beneficiary countries. Its relevance stems both from the importance of healthy financial sectors for the development of local private sectors as well as from the fact that the efficiency of the Bank's operations in the financial sector is closely linked to the existence of a solid policy framework. Moreover, the EIB Group has recently decided to join the SMEs Finance Forum, an IFC-managed, multi-institutional leading centre of expertise on SME financing in emerging markets. The Report also recognises that the Bank is a Founding Member of the Making Finance Working for Africa (MFW4A) Partnership.⁶² MFW4A is a platform for African governments, the private sector, and development partners to coordinate financial sector interventions across the continent, avoiding duplication and maximizing developmental impact.

R1.3: In the more developed financial markets, the current computation of the financial value added should be used not only for pricing calculations, but also contribute to analyse whether there is a risk of stifling the development of local debt capital markets and whether the transfer of the interest rate advantage to final beneficiaries is desirable and feasible. This should be carried out at appraisal stage and closely monitored thereafter.

MANAGEMENT RESPONSE: AGREED

Offering extended financing tenors through intermediated financing remains the most effective way to ensure transfer of financial advantage to final beneficiaries in the ACP region, due to funding market constraints. Strong general market demand for funding must also be respected as it often reflects unmet financing needs of the Bank's emerging markets partners.

Incentive pricing, whereby interest is lowered subject to achievement of certain objectives, remains nevertheless also a viable option in specific transactions. The intermediaries can in such cases be further incentivised to more effectively include developmental financing in their portfolios with carefully applied pricing differentiation. However, it should be noted that in less developed markets it is hard to always find reliable market references and adequate information flow to allow pricing differentiation, which in such cases becomes impractical.

The risk of stifling the development of local debt markets is deemed small or non-existent in the near future, since many ACP capital markets are currently effectively closed to private sector issuers. In the ACP region, the Bank is complementary to other sources of financing supporting

⁶² <https://www.mfw4a.org/news/news-details/browse/2/article/7/mfw4a-at-eib-africa-day-2016.html>

private enterprises, and represents generally a small share of the funding raised by financial intermediaries. In the more developed markets in Africa, financial intermediaries may also be able to raise funding from capital markets; however, raising funds on the African debt capital markets has been subject to significant market volatility, both in terms of price and availability of funding. In addition, interest rates on private sector bonds will always be determined by reference to government paper, which may itself be priced so high as to stifle productive investment in the country concerned. Debt raised on the capital markets will be for general purpose use, rather than being targeted on private enterprises, so EIB's financial advantage can incentivise financial intermediaries to continue to provide longer term loans to private enterprises. EIB recognises that African capital markets can in the future be a key source of debt funding for banks and for wider African investment needs, and is exploring with institutions in Nigeria and in East Africa how EIB can contribute to developing the necessary funding.

C2: The IF objectives are not sufficiently operationalised in project design, contracts and monitoring tools. In addition, beyond eligibility, the priorities set for IF intermediated lending are subject to different interpretations.

This evaluation finds that the implementation of MBILs is mainly driven by eligibility, and not by IF policy objectives. Policy objectives are operationalised at appraisal stage in REM sheets, which provide output and outcome indicators to measure the expected contribution of individual operations to increasing access to finance and financial sector development. However, field missions revealed that these expectations were insufficiently discussed with financial intermediaries, and only partially reflected in contractual arrangements and in reporting tools.

Although estimates are very difficult to make ex-ante, REM sheets create expectations for decision makers as to how operations will contribute to the achievement of policy objectives. Many of the internal Board Reports studied as part of this evaluation have clearly drafted sections concerning expectations in terms of share of SMEs to be financed, share of female employees or first time borrowers, etc. However, these aspects are not reflected in the finance agreements with the financial intermediaries or related documents, including in the allocation reporting templates. Field visits found that figures quantified at appraisal stage were not discussed with financial intermediaries, although Services confirmed that, especially in more recent times, this is generally done.

Moreover, IF objectives for intermediated lending are themselves subject to different interpretations and would merit clarification from the IF Committee. IF operations through intermediaries in ACP serve notably the dual objective of supporting small or medium-sized enterprises or initiatives and broadening and deepening the local financial markets. The portfolio of MBILs analysed reveals that the vast majority of approved allocations were for SMEs, but the majority of funding volumes were approved for financing a small number of large projects (61% of total lending was for allocations that were greater than USD 2m), and 30% of funding volumes were approved for MidCaps and larger companies. In addition, while some MBIL products – such as the Loan for SMEs – are designed to prioritise small and medium companies, the EIB (EU) definition of SMEs is so broad that, in many cases, it covers the majority of financial intermediaries' clients and is therefore not fully adequate to identify and target actual SMEs in the context of most ACP economies. The majority of African countries adopt thresholds lower than or equal to 100 employees and one third adopt thresholds lower than or equal to 50 employees to define SMEs.

The Evaluation team questions whether such a significant share of funding for large projects and to companies larger than SMEs is in line with the spirit of IF objectives. Some EIB Services understand “supporting small or medium sized initiatives” as including projects costing up to EUR 25 m (i.e. the maximum project cost allowed by MBILs for SMEs), for which the maximum EIB allocation amount is EUR 12.5 m and which can belong to enterprises of any size. Moreover, IF Committee members do not appear to have a common understanding of the priorities for MBILs, with some interviewed members stressing the development aspects of the mandate and maintaining that EIB intermediated lending should support smaller final beneficiaries (SMEs), while others pointing out that supporting larger beneficiaries (MidCaps, corporates) is a more efficient way to maximise job creation.

R2: The Bank should request the IF Committee to confirm the types of final beneficiaries and objectives it wishes to prioritise through MBILs and should integrate IF objectives throughout the project cycle, from the selection of financial intermediaries, to project design, the drafting of contracts, and design of monitoring tools.

R2.1: The EIB should request the IF Committee to clarify its understanding of small and medium “initiatives” with a view to confirming the extent to which it wishes to support larger enterprises and/or projects through its intermediated lending. It should also clarify the extent to which it wishes to use MBILs to specifically prioritise cross-cutting objectives (e.g. climate action, job creation, gender).

MANAGEMENT RESPONSE: PARTIALLY AGREED

It should be noted that the Bank operates in the ACP region based on a clear understanding by the IF Committee regarding the SME and MidCap eligibility. The global objective of private sector development of Cotonou requires diverse priorities for MBILs: larger private enterprises are perfectly valid beneficiaries for intermediated operations in ACP countries, as well as smaller companies, according to IF guidelines. In particular, all the operations covered by the EV Report supporting larger enterprises were approved by the IF Committee prior to submission to the EIB Board of Directors.

Interviews conducted by EV with IF Committee members have shown that the views of the IF Committee members on the priorities for MBILs regarding the size of SMEs to be supported are broad-ranging, with some interviewed members stressing the development aspects of the mandate through the support of smaller final beneficiaries (SMEs), while others pointing out that supporting larger beneficiaries (MidCaps, corporates) is a more efficient way to maximise job creation. Management considers that the diversity of views consistently reflects the variety of Cotonou objectives.

Consultation with the IF Committee to further clarify its understanding of financing priorities for private enterprises, should the IF Committee wish to do so, could be taken into account.

The progressive dedication of some MBILs to cross-cutting objectives is an important tool to address the need to match expectations with results, and further proposals will be made in the future in this respect. Initiatives are already on-going to introduce specific eligibility criteria in standard MBILs (i.e. climate action), applicable also to non-EU operations, as a key pre-condition to be able to establish such cross-cutting objectives.

Loans focused on particular industrial sectors with strong development potential and a small number of final beneficiaries, which are generally known to EIB, based on specific due diligence, are also foreseen to be developed further before committing at contractual level with the financial intermediary.

R2.2: The EIB should provide an analysis of whether alternative definitions of SMEs for the ACP context would be more appropriate to actually target this group when this is an objective. At present, the EIB uses the EU definition of SMEs (enterprises with less than 250 employees), which includes most private enterprises in the ACP context and is not helpful to target actual small and medium enterprises, if and when that should be a priority.

MANAGEMENT RESPONSE: PARTIALLY AGREED

The use of the EU definition of SMEs in deploying the IF has so far proven to be adequate and acceptable in the ACP region, allowing for support, via the widely accepted MBILs instrument, of all private sector business segments, without exception, in appropriate degrees as per the IF objectives. The EIB as EU Bank is transparent about the definition it uses across the geographic areas it covers so as to ensure consistency.

The IF objectives regarding the Bank’s activity in the ACP region are also clear: “(i) supporting small or medium sized enterprises or initiatives and (ii) broadening and deepening the local financial markets in particular by pursuing and strengthening the on-going and already well established co-operation with a network of financial institutions in the ACPs.” These objectives

allow flexibility in the interventions of the Bank in the ACP region in line with the principles of the Cotonou Agreement. Safeguarding such flexibility is key for the Bank to be able to operate in larger economies (such as Nigeria) and in smaller ones (such as Niger) effectively. In the ACP region, the Bank has a mandate to support all private enterprise regardless of size, and larger entities are very efficient in creating and sustaining jobs, as acknowledged in the Report.

It is also noted that every operation proposed by the Bank under Cotonou is considered by the IF Committee members prior to submission to the EIB Board of Directors for approval. This procedure is based on a common understanding among the IF Committee members about the applicable eligibility requirements and the understanding that Cotonou requires diversification in terms of geography, sectors instruments and beneficiaries in order to reach its objectives.

Notwithstanding the aforementioned considerations, confirming adequacy of the adopted SME definition, the Bank agrees to further consult with the IF Committee, should it wish to do so, to confirm the types of final beneficiaries and objectives it wishes to prioritise through MBILs. At this stage, it's clear that the Bank should reach SMEs and MidCaps, according to the existing definitions. Should there be no consensus among donors on alternative ways of clustering SMEs for specific purposes that would be manageable from an operational point of view, then the best option will be to continue using the EU definition (less than 250 employees) unchanged. It should be noted that any new SME definition would still not adequately capture the huge diversity of ACP countries. On the other hand, the adoption of the EU definition has the merits of ensuring consistency, including for reporting purposes, across the Bank's entire portfolio and allowing for greater flexibility in deploying SME support. Currently, all types of enterprises are anyway eligible under Cotonou.

It is also noted that, in spite of the adopted SME definition, microfinance MBILs have been increasingly deployed by the Bank in the ACP region as a means to reach out to the very small end of the SME space. Such operations were not taken into consideration in the scope of the EV Report.

Finally, building on existing analyses and surveys of the most representative segments of SMEs in specific markets across the ACP region, the Bank may also further customise defined transactions to meet the needs of specific final beneficiaries, in coordination with the financial intermediaries involved.

R2.3: The IF objectives, as operationalised through the REM indicators, should be systematically and formally discussed with intermediaries, and translated into the contractual reporting requirements and Bank monitoring templates (e.g. allocation templates).

MANAGEMENT RESPONSE: PARTIALLY AGREED

Management agrees that the disclosure and discussion of results in line with ex-ante expectations can be improved and - whenever practical and justifiable - reflected in reporting requirements. Discussion of the concrete ReM indicators is one way in which the IF objectives are formally addressed, but it is of course not the only channel: the ReM indicators reflect the IF objectives only insofar as their achievement is practically measurable. Moreover, results indicators should not be viewed as policy objectives per se: ReM was conceived, in fact, as a tool to measure the results achieved by EIB operations and to report on those results. Ex-ante results are meant to provide an indication of what the operation can reasonably be expected to achieve based on the information set available at appraisal.

C3: The Bank's processes and procedures are effective at managing most risks and at swiftly delivering signatures and disbursements for IF MBILs. However, processes related to monitoring and reporting are found to be insufficient to track and demonstrate policy results, thereby restricting the capacity of the EIB to take action during the course of an operation to ensure that results are achieved and to adequately report on them.

This evaluation finds abundant evidence that the EIB project cycle management is effective at managing risks, through the ex-ante analysis of the financial soundness and capacity of the financial intermediaries, the assessment of compliance risk, and the annual counterpart reviews. As regards Environmental and Social (E&S) risks, it finds that while E&S safeguards

were always taken up with financial intermediaries, they are not always followed through satisfactorily. Moreover, as money is fungible and allocations proved to be interchangeable, ensuring the compliance with E&S safeguards at the allocation level is no guarantee against reputational risk. Hence the assessment of reputational risk, including E&S risks, which the EIB carries out at the intermediary level during the due diligence, is critical.

The evaluation also finds that several policies and procedures used during the evaluation period, particularly those relating to pricing, contracts and financial covenants, as well as the possibility of setting up umbrella operations, worked well for increasing the level of signatures and, to some extent, disbursements.

At the same time, processes relating to the monitoring and reporting of the operations are found to be insufficient to track and demonstrate policy results.

As regards monitoring, firstly, there is currently no monitoring during the allocation period of progress toward achieving the expected results defined at approval in the REM sheet. The allocation system provides information on allocations approved and, at the end of the allocation period, when all funds have been allocated, the data on individual allocations is added up and compared to the expectations set out in the REM sheets. As a result, no action can be taken to encourage the intermediary to change its approach (i.e. type of allocation requests submitted), if necessary, in order to work towards the expectations. In addition, as little information is known regarding the portfolio of enterprises to be financed ex-ante, REM indicators are difficult to estimate and their use as milestones against which to judge the level of success of an operation is limited. Secondly, the re-use of funds is not monitored when the tenor of allocations is shorter than the tenor of disbursements. Finally, although annual ex-post reporting on the allocations that have been approved is systematically included among the contractual obligations of the intermediaries, only a handful of these reports could be identified in EIB's systems and the quality of these reports was very weak.

As regards reporting, the evaluation questions the extent to which the allocations reported can be viewed as the actual projects financed by the EIB, or whether they should rather be viewed as a sample of the financial intermediaries' sub-loans that meet EIB eligibility requirements and which the EIB, in principle, agreed to finance. Firstly, the findings of the evaluation suggest that allocation lists are mutually interchangeable; in cases where the EIB objected to a proposed allocation, the financial intermediary was able to swiftly replace it with another proposal, suggesting that the intermediaries have a portfolio of potential clients from which they draw a sample to submit as allocation requests the EIB. Secondly, the fungibility of money makes it very difficult to trace EIB funding to specific final beneficiaries, particularly the case in ACP where, in contrast with the EU, there is no transfer of interest rate advantage to the final beneficiaries. Thirdly, the evaluation finds that final beneficiaries were not always clearly informed that they were being financed with EIB support. Finally, there is no evidence that some (or all) of the final beneficiaries submitted to the EIB for approval are not also reported to other IFIs. Therefore, the EIB has no guarantee that the list of allocations approved corresponds to operations it has actually financed.

Moreover, if one of the objectives of the IF is to increase access to finance for specific groups (e.g. SMEs, MidCaps, women, first time borrowers, etc.), simply summing up allocations provides little information as to whether access to finance for these groups has actually increased and whether the intermediary has increased the volume of long-term lending to private enterprises. Reporting could be enhanced by (also) reporting on the overall portfolio, as the sum of the allocations provides little information on the contribution of the operation to policy objectives. A portfolio approach would entail setting expectations for and tracking indicators at the portfolio level, allowing the EIB to have a better view on the broader outcomes and the sustainability of its operations.

Finally, reporting on MBILs, especially to the IF Committee, was during the evaluation period too aggregated to serve as a useful basis for further strategic orientations.

R3: The EIB should adapt tools and processes to improve monitoring and reporting against IF policy objectives. In particular, it should explore how progress towards achieving the expectations set at appraisal stage could be monitored. It should produce a study on the pros and cons of using an allocation versus a portfolio approach for monitoring MBILs in ACP, which could be discussed with the IF Committee before deciding whether, and where, to apply this approach. Reporting to the IF Committee on MBILs should be more detailed and disaggregated, especially on facilities.

R3.1: For MBILs in ACP countries, the Bank should produce a study considering the pros and cons of monitoring operations at a portfolio level, either instead of or in addition to the allocation level. The study could be discussed with the IF Committee.

MANAGEMENT RESPONSE: AGREED

The Bank agrees to the need to study and report on the implications of adopting a complementary portfolio approach in the ACP region. A first proposal using such an approach, in the Pacific region, was already presented as a pilot scheme and approved at the Board of Directors on 4 April 2017. It is proposed to hold a further discussion on the matter in the context of the meeting of the IF Committee.

It is noted that allocations under MBILs are considered a highly effective means of tracking and reporting on the MBIL business deployed by the Bank, notably in the EU, CPC, EEA and NC. The allocation process serves rather well EIB's purposes of swiftly monitoring use of its funds post-signature, entailing however heavier administration if compared to the portfolio approach adopted by most of other IFIs. Benchmarking the changes in the credit portfolio of the financial intermediary over time may indeed enhance the analysis of the EIB impacts and could be adopted more often in certain cases.

It is noted that the processing of allocations and its subsequent statistical analysis has been key for the Bank to monitor and statistically track the deployment of its SME Public Policy Goal, also beyond MBILs (and also report under specific mandates, such as EFSI in the EU), altogether representing a substantial share of the Bank's activity. It is important therefore that any use of a portfolio approach would still allow relevant statistics to be collated.

Finally, it is noted that too heavy general procedures would impact (i) the acceptance of EIB products by FIs, (ii) the speed of disbursements of the loaned funds and (iii) possibly, the size of individual operations (and overall volumes of business) if it were to become too specialised. Targeted operations can be complementary to standard ones.

R3.2: The EIB should monitor progress toward expectations regarding the contribution to policy objectives as set out in the individual REM sheets. If the allocation system is maintained, all indicators in the REM sheets should be included in the allocation template. Progress toward the expectations set ex-ante (e.g. in terms of share of SMEs, share of female employees or borrowers, share of first time borrowers, etc.) should be monitored during the allocation period and justifications should be provided for deviations from expectations in order to draw lessons for the future. The annual ex-post monitoring of allocations should also be linked to the REM framework so as to measure performance after the end of the allocation period. If the portfolio approach is used, progress toward expectations should be monitored at the portfolio level.

MANAGEMENT RESPONSE: PARTIALLY AGREED

Key ReM indicators have already been integrated into allocation templates, making it possible to gather data for later use in reporting, consistently with EV's recommendation. The share of SMEs can, for example, be computed based on data collected in the allocation template. It is worth noting that since its inception in 2012, ReM outputs and outcomes have been updated and enhanced; in this respect, a number of indicators in ReM have been removed from subsequent releases on account of data-collection constraints by promoters (e.g. first-time borrowers and share of female employees). As such, the ReM indicators have been harmonized with the allocation database. Moreover, as stated above, results indicators should not be viewed as policy objectives per se.

Regarding monitoring progress towards ex ante expectations during the allocation period, it is noted that although technically possible, using the data from the allocation database, additional monitoring and drawing of lessons learned during the allocation process is however not feasible with existing resources. It should also be noted that ReM was originally intended, designed and approved as a tool to measure results and not as a device to monitor the progress of MBILs during implementation. The REM or any impact assessment tool should thus, also considering efficiency reasons not be converted into a driver for the allocation process. Actual impact of projects is meant to be assessed at output stage and not be taken as an operational or contractual guiding tool towards borrowers, the latter being driven by eligibility. As discussed below, achievements will be compared with expectations using the REM at project completion (upon finalisation of the allocation process), with justifications provided for any deviations from expectations. Management views project completion as the appropriate milestone to assess achievement of objectives and draw lessons for the future. Management agrees that for repeat borrowers, due diligence of new operations would take into consideration the result of REM outputs and outcomes of previous operations.

Furthermore, devoting significant resources to monitoring during the allocation period would be useful only if this information is used to feed back into the allocation process. Under the current system, allocations are systematically checked for eligibility before acceptance according to the contractual agreement in each transaction. Eligibility, based on clear criteria regarding final beneficiaries and project characteristics that can be easily collected by financial intermediaries, is the only practical means of setting out the requirements in a contractually enforceable manner. Using monitoring on ex-ante expectations to feed into the allocation process would imply using the ex-ante results indicators in the REM, as part of or alongside the eligibility requirements, to guide credit allocation. Management does not view this as feasible on a systematic basis. Ex-ante expectations may be used in certain cases alongside eligibility criteria to guide the selection of allocations and/or the portfolio analysis at financial intermediary level. The monitoring of the effectiveness of such combination repeatedly throughout the allocation period, with potential introduction of corrective measures, is however impractical from a resources viewpoint, and would sharply reduce flexibility in the allocation process. However, this can be done post-allocation.

Tailored facilities reflecting ex-ante expectations regarding fulfilment of certain cross-cutting objectives may be considered, by focusing on particular sectors or size or nature of beneficiary, with the caveat that most counterparts would not be likely able to commit beyond a "best-efforts" approach. Strict contractual commitments to deploy sub-financing in a policy-driven way would only be enforceable with more sophisticated intermediaries, to be analysed on a case-by-case basis. Overall, the option of using REM in some way alongside the allocations could be considered, but this would only be one way of improving alignment with policy objectives.

Given the difficulties of collecting more detailed data on project outcomes without making the processes too heavy, an option to deepen the understanding of the contribution EIB operations make to policy objectives would be the implementation of in depth studies of specific projects by an outside organization. EIB has recently initiated, at the request of the IF Committee, a cooperation programme with the Global Development Network. Under this programme, researchers will carry out in depth assessments of selected operations under the Impact Financing Envelope. While such an approach will necessarily remain constrained to a limited number of projects, if this pilot cooperation is successful, and conditional on IF support and financing, the EIB could consider the extension or establishment of similar initiatives and selected MBILs under the standard IF could be included. This could complement the existing monitoring and assessment tools.

R3.3: Once a sufficient number of operations reach the end of the allocation period, Services should analyse the extent to which REM ex-ante estimates are accurate and assess whether and how the REM methodology for MBILs could be improved to make it more useful in assessing expected value added ex-ante and judging the level of success ex-post.

MANAGEMENT RESPONSE: AGREED

Since the introduction of REM in 2012, the REM Team has been constantly enhancing the quality and rigour of the framework, including through data gathered from allocation requests. Simultaneously, Services have constantly worked to improve the quality and accuracy of the underlying data provided, drawing on increasing experience. Moreover, REM at completion is being piloted as operations reach the end of allocation period. As part of this process, Services have already planned to carry out a systematic comparison of ex-ante expectations and actual values and distil lessons that can be used for future improvements of the REM framework. The full implementation of REM at completion is constrained by resources optimisation and might require new decisions, also in consultation with the IF Committee.

R3.4: As requested by the IF Committee in the past, the Bank should improve reporting on MBILs, and particularly on PEFFs, by disaggregating the reporting at the level of each financial intermediary that is part of a facility. A template for a dedicated annual report on MBILs was presented to the IF Committee in December 2016. In finalising it, the Bank should ensure this report includes not only statistical data but also information on the progress made towards achieving policy objectives expected at appraisal stage.

MANAGEMENT RESPONSE: AGREED

The recommendation will be followed up accordingly, having regard to the availability and quality of the information needed to establish the extent of such progress.

Annex 1: EVALUATION MANDATE AND APPROACH

Mandate

This evaluation, carried out by the Operations Evaluation Division (EV) of the European Investment Bank (EIB), assesses the extent to which intermediated lending for private enterprises, notably small and medium-size enterprises (SMEs) and mid-cap enterprises (MidCaps) under the Investment Facility (IF) has contributed to: (i) increasing access to finance for private enterprises, notably SMEs and MidCaps and (ii) strengthening local financial sectors in the African, Caribbean and Pacific Group of States. (ACP)

It responds to a request by the Investment Facility Committee (IF Committee) to assess the value added of EIB intermediated loans targeting private enterprises in ACP. The Bank initially addressed this request through a paper and a study (both internal) on the issue. In addition, the EIB presented aggregate results of financially intermediated operations in its annual reports on “Results of EIB Operations outside the European Union (EU)”.⁶³ While these reports were welcomed, they triggered additional questions and suggestions, leading the EIB to propose that it would examine the possibility of carrying out a proper evaluation of intermediated loans in ACP.

Scope

Geographical coverage:

The evaluation covers operations in ACP countries. Operations in Overseas Countries and Territories (OCTs) are excluded, given the specific policy framework for these countries and the limited MBIL activity in this region.

Funding sources:

The evaluation focuses on the EDF-financed Investment Facility⁶⁴ intermediated loans. Operations financed by EIB's Own Resources are excluded from the evaluation scope.⁶⁵

Products:

The evaluation covers all operations tagged as MBILs in the EIB's database, including those for Capital Expenditure (Capex). Technical assistance and advisory services are out of scope, but whenever relevant, their contribution to achieving the objectives of operations is analysed.

MBILs flagged as “microfinance” in EIB's database fall beyond the scope of this evaluation. An evaluation of MBIL operations dedicated to microfinance would require a separate evaluation framework as MBILs represent only a fraction of EIB operations supporting microfinance in ACP region. Other instruments, namely equity investments in microfinance investment vehicles would also have to be included. Moreover, there are specific objectives associated with microfinance operations such as a focus on poorer segments of the population, vulnerable groups and other social objectives, which are different from those for SMEs and MidCaps. Finally, an evaluation

⁶³ EIB, Report on results of EIB operations outside the EU: [2012 report](#); [2013 report](#); [2014 report](#).

⁶⁴ The Investment Facility is a revolving fund, set up under the Cotonou Agreement in 2003, for a period of 20 years, to finance projects promoting the development of the private sector and commercially-run public enterprise. Investments in the infrastructure sector and the financial sector promoting private sector development are a priority. The IF is meant to operate on market terms and generate returns in the long run, and is managed by the EIB. It is funded by EU Member States through the European Development Fund (EDF). Under the IF, the EIB can accept a higher level of risk than when using its own resources, as IF investments are covered by a full guarantee from EU Member States. For more details about the IF, see Art 3 of Annex II of the Cotonou Agreement.

⁶⁵ For 2010-2015, Own Resources funded only 8% of credit line operations: EUR 104 m out of the EUR 1,307 m signed, and EUR 95 m out of the EUR 1,108 m allocated.

on microfinance would also need to look in-depth into complementarity with grants, capacity building, and other financial and non-financial services offered to micro enterprises.

MBILs implemented through the European Financing Partners (EFP) were evaluated by EV in 2009, and in June 2014 the EDFI members jointly finalised an [evaluation of the effectiveness of their support for SME development through financial institutions in Africa](#). As a result these operations are out of scope for this evaluation. However they are included in the portfolio analysis.

Timeframe:

The evaluation has several building blocks: a policy review of the IF and its intermediated lending products, a portfolio review of the operations contracted under this framework, and an in-depth analysis of a sample of contracts evaluated individually. Given that the IF was set up in 2003 and is due to operate until 2020, each of these three levels of analysis covers a specific time period:

- **The policy review covers the period from 2003 to 2016.** This timeframe covers three European Development Fund (EDF) financial protocols: the 9th EDF (2000-2007), the 10th EDF (2008-2013) and the current 11th EDF (2014-2020). Major evolutions were illustrated in the policy review section of the Launch Paper (available upon request).
- **The portfolio review covers operations signed between 2010 and 2015.** The reason for the focus between 2010 and 2015 is twofold: 1) more recent activities provide more tangible findings on the effects attributable to the IF and their sustainability; and 2) an earlier mid-term evaluation of the IF commissioned by DG DEVCO covered activities up until 2010⁶⁶. Thus, a post-2010 focus is complementary with the above-mentioned DEVCO evaluation.
- **The sample of contracts evaluated individually includes primarily those for which an ex-ante REM sheet is available (from 2012 onwards)**⁶⁷. The sample focuses on contracts with disbursements and allocation data in order to provide information on their actual effectiveness and sustainability, as compared to the expected objectives identified in Board reports (which include REM sheets).

⁶⁶ ADE - EGEVAL II, Mid-term evaluation of the Investment Facility and EIB own resources operations in ACP countries and the OCTs, Final Report. September 2010. Evaluation for the European Commission.

⁶⁷ Although a small number of earlier contract were also included, when a financial intermediary had signed several contracts with the EIB in the 2010-2015 period that fall within the thematic scope of the evaluation.

Evaluation phases

The evaluation process is divided into the six stages described below:

1. Structuring
 - Launch paper
 - Initial definition of the scope of the evaluation (period, geography, instruments)
 - Preliminary desk review and in-house preparatory interviews with Services
 - Policy review (EU, EIB, national/regional levels)
 - Review of the portfolio of operations relevant for the evaluation
 - Design of the intervention logic (workshop with Reference Group)
 - Approach paper
 - Elaboration of evaluation questions (including design of evaluation questions, judgment criteria, indicators used)
 - Selection of a sample of operations for in-depth evaluation
 - Selection of additional data collection tools (surveys, interviews, case studies...)
 - Approach discussed with operational counterparts
2. Data collection
 - Individual evaluation of operations:
 - Desk research
 - Interviews with relevant EIB officers (OPS, TMR, SG/ECON, etc.)
 - Pilot mission in Kenya, including interviews with all financial intermediaries, selected final beneficiaries, relevant national institutions (Central Banks) and IFIs/DFIs present in the field
 - Missions in Uganda and Nigeria
 - Desk evaluation for operation in Haiti
 - Preparation of individual evaluation reports
 - Consultation with the Services on each individual evaluation report
 - Analysis of IF MBILs in general
 - Review of the complete portfolio of IF intermediated loans signed in ACP region from 2010 to 2015, including available information on allocations;
 - Interviews with all relevant EIB Services (Ops, PJ, JU, RM, SG/ECON, TMR)
 - Focus groups with EIB staff on selected topics
 - Desk analysis of local financial institutions supported by IFI intermediated financing for SMEs and MidCaps in each ACP state
 - Literature review on evaluations carried out on the topic
3. Synthesis
 - Drawing together the different insights gathered through previous steps
 - Answer to thematic evaluation questions
 - Workshop with Services on emerging findings and conclusions
 - Drafting of synthesis report, including conclusions and recommendations
4. Consultation
 - With EIB operational Services
 - With relevant EIB Director Generals
5. Finalisation, approval and dissemination
 - Discussion in the Management Committee including elaboration of a Management Response
 - Discussion in the IF Committee meeting
 - Approval by the Board of Directors
 - Publication on the EIB website
6. FUR – Follow-up of recommendations (quarterly reporting)

Evaluation questions

The evaluation builds on a set of 15 evaluation questions addressing:

- The relevance of the MBIL products;
- The effectiveness, efficiency and sustainability of the operations financed (overall and for the sample of operations assessed individually);
- The EIB contribution and its project cycle management.

A document available upon request provides evidence supporting the answer to each question.

Table 7: Thematic evaluation questions

Criteria	Key questions and their rationale
Relevance	<p>Q1. To what extent is the IF intermediated lending designed to respond to the needs of both financial intermediaries and SMEs/MidCaps in ACP? This question examines the effort made by the EIB to understand the needs of its two target groups, design its product offer accordingly, and adapt its offer to the evolving contexts (e.g. measures taken in response to the Council Conclusions from 2009 on coping with the crisis). The question also addresses the decisions and justifications given by the EIB to concentrate its operations in certain locations.</p> <p>Q2. Are the intermediated lending products set up to meet the growth, employment and cross-cutting priorities defined in the EU, EIB and national /local objectives? This question looks at the consistency of the financing decisions made with the strategic documents to which the IF is expected to contribute (Cotonou Agreement, EIB Group's policies and strategies, country's national strategies). Specific attention is therefore given to the appraisal process, decision criteria and their evolution over the evaluation period. The question also addresses EIB's rationale and justification for concentrating its operations with certain types of intermediaries.</p>
Effectiveness	<p>Q3. Operational Objectives: have financial intermediaries accessed long-term financing that meet their SME financing needs?</p> <p>Q4. Intermediate objectives (outcomes): have IF-intermediated lending operations improved intermediaries' competitiveness, reputation and credit worthiness?</p> <p>Q5. Intermediate objectives (outcomes): have IF-intermediated lending operations assisted intermediaries to provide suitable funding to the eligible SMEs and/or MidCaps?</p> <p>Q6. Global Objectives (impacts): have IF-intermediated lending operations contributed to strengthen both local financial sectors and private sector investments?</p> <p>This set of questions goes over the intervention logic step by step (from the mobilisation of resources in order to deliver the outputs, to the contribution to global impacts):</p> <ul style="list-style-type: none"> • Q3 assesses the delivery of operational objectives expected from intermediated loans (outputs); • Q4 and Q5 target the achievement of intermediate objectives to the benefit of financial intermediaries and final beneficiaries (outcomes); • Q6 deals with the contribution of intermediated loans to global objectives (impacts), bearing in mind that intermediated loans alone have limited influence on those objectives. They can rather send signals, incentives conducive to changes, they work in interaction with other products and entities, and they rely on an enabling environment.

Criteria	Key questions and their rationale
Efficiency	<p>Q7. From the intermediary's viewpoint, is the benefit of receiving an IF-intermediated loan commensurate with the time and resources invested in it?</p> <p>This question assesses the extent to which the benefits obtained by the intermediary (financial, technical or institutional) are commensurate with the investment (time, resources, logistics) to access such a loan.</p>
	<p>Q8. From the final beneficiary's viewpoint, is the benefit of receiving a sub-loan through the IF commensurate with the specific requirements of such loan?</p> <p>This question mirrors the previous one, from the viewpoint of final beneficiaries.</p>
Sustainability	<p>Q9. Are IF-intermediated lending operations generating lasting benefits for both intermediaries and final beneficiaries?</p> <p>This question assesses the extent to which intermediaries have maintained and/or increased their lending to SMEs and/or MidCaps after the intermediated lending operation ended.</p>
	<p>Q10. Does the intermediated lending contribute to ensure the revolving objective of the IF portfolio?</p> <p>This question analyses sustainability at the level of the IF itself (risk profile of operations).</p>
EIB contribution	<p>Q11. How important was the financial contribution of the IF-intermediated loan to (i) the intermediary and (ii) the final beneficiary?</p> <p>This question assesses the extent to which an advantage was received by the intermediary and transferred to the final beneficiary, in terms of e.g. grace period, maturity or choice of currency or other unique product features.</p>
	<p>Q12. How important was the EIB's institutional and technical contribution?</p> <p>Q13. To what extent did the IF intermediated lending operation facilitate the mobilisation of other funding sources for the intermediary?</p> <p>The intervention logic points to non-financial benefits that stakeholders may derive from working with the EIB, either by receiving formal TA and through general advice outside of a TA programme. The associated benefits include final beneficiary's improved ability to design a loan request and build business skills. This also includes improve intermediaries' in-house expertise, their reporting quality and ability to ensure compliance with regulations (e.g. procurement, E&S). As per the intervention logic, another benefit for the intermediary could be the signalling effect (increased recognition as a credible bank, leading to strengthen their funding base through customer deposits, bond or equity issuance...).</p>
EIB project cycle management	<p>Q14. Is the reporting system of the EIB adequately designed and used?</p> <p>Q15. Has the EIB's organisational arrangement allowed for timely and efficient delivery?</p> <p>These questions examine the way in which the EIB followed the operations through the project cycle from initial identification to completion (PCM).</p>

Data collection tools

The evaluation addressed the thematic evaluation questions using a wide variety of sources, which include:

A desk analysis of analysis of upstream policy documents, strategic notes and Investment Facility (IF) operational guidelines

This analysis comprises a policy review of strategic documents framing intermediated loans under the IF, beginning with the launch of the IF in 2003 up to the present day. Most of this analysis has been conducted in the process of drafting the Launch Paper, and has been complemented by in-depth analysis of the three countries visited (analysis of national strategies for private sector development and access to finance for SMEs and MidCaps). For the IF MBIL product, the analysis concerns product characteristics, guidelines, division planning instruments.

A review of the complete portfolio of IF intermediated loans signed in ACP region from 2010 to 2015

The reason for focussing on the period 2010 to 2015 is twofold: 1) more recent activities provide more tangible findings on the effects attributable to the IF and their sustainability, 2) an earlier mid-term evaluation of the IF commissioned by DG DEVCO covered activities for the period ending 2010. The portfolio analysis provides information on volumes, type of intermediaries and final beneficiaries, and characteristics of the sub-loans received.

EV extended to all ACP states an internal study commissioned by Services in 2015 on result measurement of EIB's MBILs in East and Central Africa, by adopting the same methodology (data extracted from allocation requests). This material provides an overview on the beneficiaries' characteristics, purpose and features of their sub-loan.

An analysis of other International Financial Institutions' (IFIs) approaches and activities in the area of intermediated lending in ACP

EV interviewed IFIs and development Finance Institutions (DFIs) on the factors that enhance or constrain the deployment of credit lines in various parts of the world and how these organisations deal with them.

EV constituted a database of all MBILs mobilised by all IFIs in ACP since 2010 (based on information publicly available). The database gathers information about intermediated lending operations targeting private enterprises. Lines of credit targeting SMEs and Midcaps were marked out to be easily identified. Intermediated lending to microfinance banks was not included, unless the recipient organization is part of the national bank system and the credit line is intended to be used for on-lending to small and medium enterprises. The geographical focus of the database rests on ACP countries. The primary source of data was the IFI project portfolio available at the IFI websites. Secondly, these data were integrated and validated using the IFI annual reports. Additional or missing information was collected by searching on the internet for IFI or intermediary bank press releases.

EV drafted a literature review on evaluations carried out in the area of intermediated lending to SMEs and MidCaps in ACP. The aim of this review was to identify the common findings, lessons learnt and recommendations emerging from evaluations about SME intermediated lending operations in ACP countries conducted by IFIs and DFIs.⁶⁸ This review takes a meta-evaluation approach aggregating findings from evaluations along a determined reading grid, but does not provide any further assessment from the author. The time period covered goes from 2005 up to 2015. The majority of the reports reviewed has a wider geographical coverage or addresses a variety of SME or private sector targeted assistance. In these cases, only the parts of the reports that were relevant to this evaluation were considered. Evaluation of SME credit

⁶⁸ This includes 20 evaluations or reports published by the World Bank (3), the International Financing Corporation, (1), the African Development Bank (3), the Belgian Investment Company for Developing countries (1), the French Agency for Development (2), the Asian Development bank (2), the Inter-American Development Bank (3), the European Investment Bank (1), the European Commission (1), the Dutch Development Bank (1), and the European Development Finance Institutions (1).

lines with a different geographical focus (e.g. EU member states) or addressing intermediated lending operations for public sector or infrastructure projects were not included.

The organisation of meetings with the various stakeholders involved in the IF intermediated loans to SMEs and MidCaps

In Luxembourg, EV organised face-to-face interviews will be with Ops, PJ, JU, RM, SG/ECON, SG and TMR. Meetings were also held with representatives of the IF Committee.

Three focus groups with EIB staff were organised:

- One during the presentation of the Launch paper, with the aim to draft a preliminary intervention logic of IF MBILs in ACP countries.
- One on the MBIL allocations and reporting system, with the aim to confirm EV’s understanding and discuss EV’s preliminary findings on the topic.
- One to discuss each stage of the MBIL project cycle management.

Individual evaluations of 15 contracts covering 11 financial intermediaries located in Nigeria, Kenya, Uganda and Haiti

Rationale for individual evaluations

The thematic evaluation questions listed above build partially on the individual evaluation of specific projects. The projects concerned are rated individually against their overall performance and regarding EIB contribution and project cycle management. These individual evaluations serve both purposes of illustrating the overall evaluation and ensuring the accountability of projects carried out by the EIB.

Individual evaluations were conducted at the level of a contract and not at the level of an operation, given that operations such as PEFs encompass different contracts signed with different intermediaries, sometimes located in different countries. In cases where one intermediary has received two or more contracts, each contract is evaluated and rated separately but presented in one single report. For the 11 financial intermediaries concerned, a total of 15 contracts were evaluated in Nigeria, Kenya, Uganda and Haiti.

Table 8: Number of selected contracts for individual evaluation

Analysis	Country	Operations within scope	Of which selected contracts evaluated individually	<i>Financial Intermediaries</i> *	<i>Final beneficiaries interviewed</i>
Site visits	Kenya	3	4	4	10
	Uganda	3	5	3	9
	Nigeria	5	5	3	6
Desk evaluations	Haiti	1	1	1	/
TOTAL		12	15	11	25

* An intermediary bank may have signed two contracts with the EIB. This concerns two banks in Uganda and two banks in Nigeria.

Data collection and analysis for individual evaluations

Each individual evaluation builds on a review of contractual arrangements and documentation internally available, as well as interviews with relevant EIB Services, publically available data regarding the national context, as well as intermediaries’ reporting. TMR internal rating score grids constitute EV’s main source as regards the evaluation of an intermediary’s financial soundness. EV conducted site visits to intermediaries’ premises. These visits were also an

opportunity to meet with the EIB's local office in Kenya and IFI representations in the three countries.

In each country, EV also interviewed a selection of final beneficiaries with the aim to exemplify the potential benefits gained from the sub-loans received. Three SMEs and MidCaps were expected to be interviewed per intermediary visited. These visits illustrated the extent to which the sub-loan received was suitable to the final beneficiary and to what extent the investments financed have helped sustain their growth and competitiveness. The sample of SMEs and MidCaps visited had no ambition of statistical representativeness.

One contract in Haiti was the subject of a desk evaluation, which built mainly on documentation readily available.

Prior to site visits, EV analysed for each country the issues surrounding access to finance for SMEs, described the national financial sector, and collected information on the market position of the IF product offer in each country. These elements are presented in background reports (one per country visited) which provide information on:

- Country's context: state of the national economy and the role of SMEs; development of the financial sector; SMEs constraints to access to finance; Main IFI programs targeting SME access to finance;
- The relevant policy frameworks against which the consistency of each contract is analysed;
- EIB's intermediated lending in each country.

Table 9: Evaluation questions for individual operations

Criteria	Key questions and their rationale
<p>1. Relevance</p> <p>Relevance is the extent to which the objectives of an operation (and associated contract) are consistent with EU policies, EIB priorities and local strategies as well as beneficiaries' needs. This section will also analyse the consistency of the objectives and the design of the operation (and associated contract).</p>	<p>1.1 Relevance to the needs of the financial intermediary, of SMEs and MidCaps</p> <ul style="list-style-type: none"> • Suitability of the product for final beneficiaries and for the financial intermediary <p>1.2 Consistency with EU, EIB and national objectives</p> <ul style="list-style-type: none"> • Consistency with the priorities set by the IF under the Cotonou Agreement • Consistency with the objectives of the EU-country development cooperation • Consistency with EIB's orientations • Alignment with national policy objectives <p>1.3 Relevance of design</p> <ul style="list-style-type: none"> • Consistency between the contract and the focus indicated at the appraisal stage • EIB justification for the choice of this specific financial intermediary
<p>2. Effectiveness</p> <p>Effectiveness relates to the extent to which the outputs, outcomes and impact mentioned in the Board Report and subsequent contract have been achieved, or are expected to be achieved, while recognising any change introduced in the objectives of the contract since loan approval.</p>	<p>2.1 Delivery of expected outputs</p> <ul style="list-style-type: none"> • Disbursement of funds from the EIB to the financial intermediary <p>2.2 Achievement of expected outcomes</p> <ul style="list-style-type: none"> • Intermediary's allocations of the EIB funding • Intermediary's SME activity (including intro, for all reports that money is fungible) • Reinforcement of financial intermediary • Benefits of EIB sub-loans from the final beneficiary's perspective <p>2.3 Contribution to expected impacts</p> <ul style="list-style-type: none"> • Contribution to SME job creation and competitiveness • Contribution to fiscal revenue generation

Criteria	Key questions and their rationale
<p>3. Efficiency</p> <p>Efficiency concerns the extent to which the benefits of the project, programme or policy are commensurate with the costs/resources and inputs used.</p>	<p>3.1 Timeliness</p> <ul style="list-style-type: none"> The amount of time it took financial intermediaries to submit allocation requests to the EIB. <p>3.2 Cost-effectiveness</p> <ul style="list-style-type: none"> Costs from the intermediary's perspective Costs from the final beneficiary's perspective
<p>4. Sustainability</p> <p>Sustainability assesses the ability of the intermediary continuing doing SME business in the future, as well as the likelihood of the companies supported by the intermediary repaying their debt.</p>	<p>4.1 Financial and economic sustainability of the intermediary</p> <ul style="list-style-type: none"> Capital adequacy ratio + concentration of portfolio <p>4.2 Sustainability of intermediary's SME lending line of business</p> <ul style="list-style-type: none"> If the financial intermediary has credible plans to continue/develop its SME activity
<p>5. EIB contribution</p> <p>Financial contribution is assessed in comparison to alternative sources of funding, and by taking on board the specific features of the transactions (tenor, grace period, currency, etc.) regarding the financial engineering of each operation. Non-financial contribution may take the form of advice and capacity building. Finally, Facilitation may include the provision of a product that does not exist in the target market, and the contribution to raising intermediary's standards (including E&S).</p>	<p>5.1 Financial contribution for financial intermediary and final beneficiary</p> <p>5.2 Institutional and technical contribution for the financial intermediary and the final beneficiary: Not rated</p> <p>5.3 Facilitation (catalytic effect and signalling effect in favour of the financial beneficiary)</p>
<p>6. EIB Project Cycle Management</p>	<p>How efficient was the EIB's management of each stage of the project cycle</p>

Sampling of individual evaluations

The sample was selected on the basis of implementation status, size and availability of disbursement and allocation data, as well as bank tier.

Between 2010-2015, overall intermediated loan disbursements in ACP (i.e those marked as MBILs in Serapis) total EUR 553.7 m. From this portfolio, four countries have been chosen for individual evaluations. These countries were chosen by applying the following selection criteria:

- Give priority to countries with the largest disbursed amounts;
- Select both East and West African countries in order to reflect the specificities of their sub-regional economies (e.g. regulatory framework, economic dynamism, currency);
- Include non-African countries in Pacific or Caribbean regions. Haiti was chosen given the use of MBILs to respond to a specific post-disaster need (aftermath of the 2010 earthquake).

An analysis has been conducted for each envisaged country visit in order to check that the selected contracts fall within the evaluation scope. By applying these criteria, four countries were selected, with three country visits (Nigeria, Kenya and Uganda) and one for desk evaluation (Haiti). Together, these four countries have received 72% of total disbursements; Nigeria and Kenya alone make up 56%. As East Africa makes up the largest share of the African operations, both Kenya and Uganda were visited in this region.

Kenya, pilot case

Kenya was the first country visited (22 to 26 February 2016) and has been used as a pilot case in order to test the initial approach and evaluation framework. The post trip analysis was used to fine-tune the approach.

Kenya was chosen as a pilot case for a number of reasons, including the fact that information gathered for an internal study commissioned by the EIB in 2015 gave a good starting point for further analysis. Kenya also has a combination of tier I, II and III banks which are a mix of new and repeat customers. A further contributing factor was the opportunity to visit the local EIB office in Nairobi which also covers Uganda.⁶⁹ EUR 116 m has been disbursed to Kenya between 2010 and 2015.

Nigeria

Nigeria is the largest recipient of EIB funds for intermediated lending, having received EUR 193 m between 2010 and 2015. In particular, the evaluation was interested in looking at its significant MidCap portfolio. Furthermore, Nigeria not only has highest level of signatures and disbursements, it also has the highest proportion of operations cancelled after signature – making up 81% of the portfolio's total cancellations after signature – so the evaluation was interested in finding out more the reasons behind this. Another argument in favour of selecting Nigeria is that one of its selected contracts has disbursed capital expenditure investment.

Uganda

Even though it has received a much lower amount than Kenya and Nigeria, Uganda is still the 3rd highest ACP recipient with EUR 85 m disbursed between 2010 and 2015.

Haiti

Haiti represents EUR 5 m of total disbursements, which is approximately 1% of total ACP disbursements. In the Caribbean, the Dominican Republic received EUR 42.5 m in disbursements over the period in question, although this was aimed at microfinance and therefore falls outside the scope of this evaluation.

Selection of individual evaluations in the four countries

Financial intermediaries

For the countries for which individual evaluations have taken place, the intermediaries visited were chosen on the following basis:

- Combination of tier I, II and III banks;
- Inclusion of both regional and commercial banks when available;
- Information available on the funds disbursed and allocated to final beneficiaries. While cancelled operations are also looked at, the focus of the site visits is on intermediaries that allocated to the SMEs and MidCaps.

Final beneficiaries

As not all of the SME and MidCap beneficiaries can be visited, site visits are chosen based on number of employees, diversity of sectors and for practical reasons, location. A preference is given to final beneficiaries located near the intermediary. EV acknowledges that this constitutes a potential bias (focus on those located in the capital city, which excludes those active in agricultural sector and/or in remote areas).

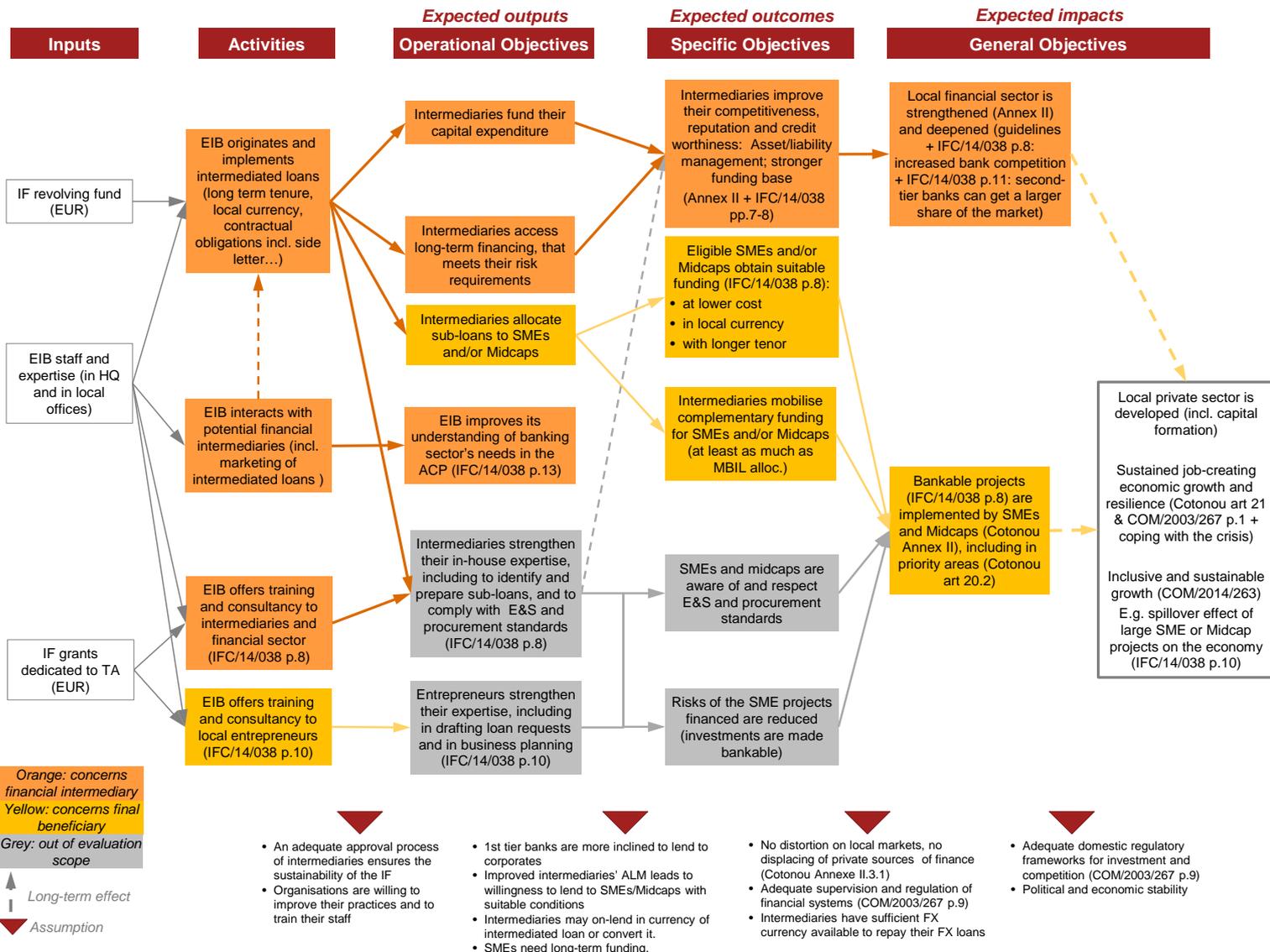
⁶⁹ The EIB Regional Office for the Central and Eastern Africa serves Burundi, Cameroon, Central African Republic, Chad, Congo, the Democratic Republic of Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gabon, Kenya, Rwanda, Sao Tomé and Príncipe, Somalia, Sudan, Tanzania and Uganda.

Reference group

The Reference Group involvement includes:

- Structuring phase
 - Assist EV in the scoping of the evaluation and the prioritisation of issues identified;
 - Review Launch and Approach Papers (review of policy, portfolio, design of the method);
 - Participate in Launch and Approach meetings.
- Data collection phase: in-depth evaluations of individual operations, including field visits
 - Inform staff about the evaluation and how they may be involved;
 - Facilitate evaluation missions and EV's contacts inside and outside the Bank;
 - Receive the draft reports of individual operations evaluations; distribute them to relevant staff and co-ordinate the Directorate's response.
- Synthesis phase
 - Actively participate, along with other relevant staff, to the workshop on emerging findings;
 - Receive the draft synthesis report and co-ordinate the Directorate's responses at different stages of the consultation process.
- Follow up of recommendations
 - Ensure with EV the follow-up of recommendations and inform EV regarding their implementation (quarterly reporting sent to the Bank's Board for discussion).

Annex 2: INTERVENTION LOGIC



Main Sources of information:

- The Cotonou Agreement and its Annex II;
- COM (2003) 267 from the Commission: "The Commission's approach to future support for the development of the Business sector";
- COM (2009) 160 from the Commission: "Supporting developing countries in coping with the crisis" (quoted as "coping with the crisis" for the purpose the intervention logic schema hereunder);
- EIB internal notes.

Annex 3: INTERVIEWS

IF Committee members

Name	Position / department	Organisation	Date and location
Irene Barkey Wolf	Member of the IF Committee	The Netherlands, Ministry of Finance International Affairs Directorate	07/07/2016, Luxembourg
Huw Lewis	Member of the IF Committee	The United Kingdom, Department for International Development	
Bertrand Nora	Member of the IF Committee	France, Ministry of Finance	
Anne af Ursin	Member of the IF Committee	Finland, Ministry of Finance Unit for International Affairs	
Benjamin Tedla Hecker	Member of the IF Committee	Germany, Ministry of Finance	
Damian Szostek	President of the IF Committee	Poland, Ministry of Finance	13/09/2016, telephone

EIB staff

Name	Position / department	Organisation	Date and location
Reference group			
Robert Schofield	Head of Division / OPS/GP/4-Financial Sec	European Investment Bank	Various dates in 2016, Luxembourg
Heike Ruetters	Head of Division / OPS/MM/4- DIF/-/		
Geoffroy Van Der Straeten	Head of Unit / TMR/CM/FIN/NEU		
Barbara Marchitto	Head of Division / SG/ECON/CFSA/-/		
Bernard Ziller	Senior Economic Advisor / SG/IS/SD/-/		
Nikolaos Milianitis	Loan Officer, Deputy Head of Division / OPS/GP/4-Financial Sec		
Eve Walter	Corporate Planner / OPS/MM/4- DIF/-/		
Jane Shirran	Deputy Adviser / JU/OPS/OEU/-/		
Carlo Mori	Head of Coordination / JU/-/COORD/-/		
Antonio Roca Iglesias	Head of Unit / RM/-/COORD/OPR/-/		
Rien Wagenvoort	Senior Economist / PJ/INCO/DIGITAL/-/		
Veronica Scacchi	Coordination Officer, Deputy Adviser / OPS/OSD/1-OP MGMT and BP/-/		
Pedro Eiras Antunes	SME Officer, Deputy Adviser / OPS/OSD/3-BUS DEV&SUPP/-/		
Group interviews			
Sandra Stedem	Operations Analyst / OPS/GP/5-CORP,BD&IMPLEM	European Investment Bank	15/09/2016, Luxembourg (focus group on allocation system)
Ibrahim Abdel-Ati	Consultant / OPS/GP/5-CORP,BD&IMPLEM		

Name	Position / department	Organisation	Date and location
Emeline Montgomery-Wade	Monitoring Analyst / OPS/OSD/-/CAU/-		
Gisèle Simoes Figueiredo	MBIL Assistant / OPS/OSD/-/CAU/-		
Sanja Blatt	Monitoring Officer / TMR/CM/FIN/NEU		
Céline Lotterie	Monitoring Analyst /		
Donal Cannon	Loan Officer / OPS/GP/4-Financial Sec		
Héloïse Gornall-Thode	Officer Credit Risk Management / RM/OPE/PSD/L&PU/-	European Investment Bank	22/09/2016, Luxembourg (focus group on project cycle management)
Martin Burkat	Senior Officer Credit Risk Management / RM/OPE/PFI/C1U/-		
Valérie Hakmann-Paré	Compliance Officer / OCCO/-/OPS		
Barbara Marchitto	Head of Division / SG/ECON/CFSA/-		
Carlo de Nicola	Economist / SG/ECON/CFSA/-		
Jean-Philippe Stijns	Economist / SG/ECON/CFSA/-		
Claudio Cali	Junior Economist / SG/ECON/PS/-	European Investment Bank	19-20/10/2016, Luxembourg (focus group non-core countries)
Christophe Weiss,	Economist / SG/ECON/ES/-		
Nina Fenton	Economist / SG/ECON/PS/-		
Isabel van Grunderbeek	Head of Regional Office for West Africa - Abidjan /SG/IS/EER/ACP/-		
Evaluation of individual operations			
Faith Njoroge	Business Analyst		
Nicholas Nzioka	Business Analyst	EIB, Ops, Global Partners Department, Nairobi Office	23/02/2016, Nairobi
Roger Kelly	Resident Loan Officer		
Patrick Vanhoudt	Deputy Technical Adviser, Digital Economy PJ-not specifically for this Operation or Finance Contract		14/04/2016, Luxembourg
Neil Sheridan	Loan Officer Nigeria TMR Officer (ormer Loan Officer Nigeria)		29/04/2016, Luxembourg
Inmaculada Soto Riba	Loan officer Nigeria/Haiti		
Sabina Zajc	PJ- ex DEAS/ECON staff at the time of the operation, appraisal team member (to date, Senior Coordination Officer, Project Impact and Reporting)	European Investment Bank	14/04/2016, Luxembourg
Franca Cardillo	TMR (monitoring) Monitoring Analyst, Non-EU Unit, Financial Institutions Division		07/03/2016, Luxembourg
Markus Berndt	Ops- ex DEAS/ECON staff at the time of the operation drafted the Uganda Strategy (to date, Head of Division of the		12/04/2016, Luxembourg

Name	Position / department	Organisation	Date and location
	Operational Strategy and Business Development in Operations)		
Katia Van Veirdeghem	Operations Analyst / OPS/GP/5-CORP,BD&IMPLEM		12/09/2016, Luxembourg
Isabelle Van Grunderbeeck	Head of Regional Office for West Africa – Abidjan / SG/IS/EER/ACP/-		20/10/2016, telephone
Guillermo Bosse	Team Leader of TA Project to EIB financial Sector Operations in Kenya, Tanzania, Uganda and Rwanda	AFC Consultants (Integration consortium)	23/02/2016, Nairobi
Andrew Obara	Long-term Expert in Uganda for TA Project to EIB financial Sector Operations.	Friends Consulting (Integration consortium)	5/04/2016, Kampala

Other financial institutions

Name	Position / department	Organisation	Date and location
Eric Habers	Head of Development Cooperation	European Union Delegation, Kenya	26/02/2016, Nairobi
Delina Odera	Project Officer		
Stefan Lock	First Secretary/ Head of Section, Economic Growth	European Union Delegation, Uganda	08/04/2016, Kampala
Mr. Bogdan Stefanescu	Second Secretary/ Head of Section Sustainable Development		
Manoj Prashar	Hub Leader, East Africa Financial Institutions Group	IFC	25/02/2016, Nairobi
Allen Forlemu	Manager	IFC, HQ	20/09/2016, telephone
Juliet M. Byaruhanga	Senior Private Sector Officer	African Development Bank Group (AfDB)	08/04/2016, Kampala
Damien Braud	Regional Representative	Proparco	26/02/2016, Nairobi
Guillaume Barberousse	Head of Financial Intermediary	Proparco HQ	14/09/2016, telephone
Diane Jegam	Programme Officer Kenya Burundi	AFD	26/02/2016, Nairobi
Boudot		AFD	25/02/2016, Nairobi
Laurent Biddiscombe	Deputy of Financial Intermediary Division	AFD HQ	19/09/2016, telephone
Gudrun Busch	Director Financial Institutions Africa/Latin America	DEG, HQ	15/09/2016, telephone
Ikenna Mbaekwe	Investment Manager	DEG Nigeria	12/05/2016, Lagos
Peter Onyango	Investment Manager Financial Institutions	KfW/DEG	25/02/2016, Nairobi
Daniel Rutabingwa	Senior Project Coordinator, Financial Sector & Rural Development	KfW	08/04/2016, Kampala
Jorim Schraven	Director, Strategy Department	FMO	29/08/2016, The Hague
Hans Peter Christopherson	Counsellor, Trade & Energy	Norwegian Embassy	08/04/2016, Kampala
Josephine N. Mukumbya	Chief Operating Officer, aBi Finance	aBi Trust	08/04/2016, Kampala
Annette Nantumbwe Kiwalabye	Operations and Portfolio Officer		

Name	Position / department	Organisation	Date and location
Godfrey Yiga Masajja	Deputy Director, Commercial Banking	Bank of Uganda	8/04/2016, Kampala
Florence Njunwoha	Senior Principal Banks Examiner		
Sophie Kironde	Senior Principal Banks Examiner		
Timothy Sekirayi Kajja	Assistant Director on Site Division Commercial Banking		
James Bululu			

About Operations Evaluation

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.

These reports are available from the EIB website:

<http://www.eib.org/infocentre/publications/all/research-studies/ex-post-evaluations/index.htm>



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