



EIB GROUP EVALUATION

Evaluation of the FEMIP Trust Fund

From 2004 to 2022

May 2023

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Contents

Acknowledgements	iii
Abbreviations and acronyms	iv
Executive Summary	1
Management Response	4
1. Introduction	8
The Facility for Euro-Mediterranean Investment and Partnership Trust Fund (FTF)	8
Evaluation purpose and methods	11
2. Was the FTF a relevant instrument to address needs?	13
The FTF complemented and addressed the limitations of other available sources of funding throughout the period	13
The activities the FTF could support were and remain mostly fit to serve the variety of needs in partner countries	16
The FTF accommodated emerging donors needs linked to supporting the FEMIP region	18
3. Did the FTF achieve its objectives?	19
Upstream studies were of good quality but there is insufficient evidence to reach a conclusion about their use at country level	19
Technical assistance facilitated the preparation and implementation of projects, though not always according to plan	20
The five risk capital operations were innovative, catalysed private investments and made a modest contribution to increasing access to finance	21
The internship and secondment programmes were well received but lacked a clear strategy and only partly met expectations	22
4. Did the EIB manage the FTF adequately?	24
Management at fund level was adequate	24
Management of the FTF's underlying operations remains improvable	27
5. Conclusions	29
6. Recommendations	30
The Evaluation Division of the EIB Group	31

List of figures

Figure 1: Share of paid-in contributions 2004-2022	9
Figure 2: Share of FTF approvals and number of operations by activity.....	10
Figure 3: Evolution of the share of FTF approvals by type of activity	14
Figure 4: FTF cumulative use of funds (2005-2021)	25
Figure 5: Average time of technical assistance operations from initiation to approval – the FTF vs. other similar programmes (# of days).....	26
Figure 6: Planned vs. actual duration of the FTF technical assistance operations included in the case studies (# of months).....	27

List of tables

Table 1: Management response to the evaluation's recommendations	4
Table 2: Evaluation questions	11
Table 3: Key characteristics of alternative sources of finance to the FTF	15
Table 4: Special envelopes and earmarking	18

List of boxes

Box 1: The Facility for Euro-Mediterranean Investment and Partnership (FEMIP)	8
Box 2: MENA Enterprise Survey	19
Box 3: TA to support start-up businesses in the FEMIP region	20
Box 4: Road modernisation	21
Box 5: Energy storage.....	21

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Abbreviations and acronyms

AFD	Agence Française de Développement (French Development Agency)
CAMENA	Climate Action in the Middle East and North Africa (climate action envelope managed by the European Investment Bank within the FEMIP Trust Fund)
EFSD	European Fund for Sustainable Development
EIB	European Investment Bank
EIP	External Investment Plan
EPTATF	Eastern Partnership Technical Assistance Trust Fund
ERI	Economic Resilience Initiative
FEMIP	Facility for Euro-Mediterranean Investment and Partnership
FSF	FEMIP Support Fund
FTF	FEMIP Trust Fund
IFIs	International Financial Institutions
MENA	Middle East and North Africa
MPCs	Mediterranean Partner Countries
(M)SMEs	(Micro), Small and Medium Enterprises
NDICI	Neighbourhood Development and International Cooperation Instrument
NIP	Neighbourhood Investment Platform
OEU	Outside the European Union
PIU	Project Implementation Unit
PMU	Project Management Unit
PPP	Public-Private Partnership
TA	Technical Assistance

Executive Summary



Context

The Facility for Euro-Mediterranean Investment and Partnership Trust Fund (FTF) was financed by 17 EU Member States, the United Kingdom, and the European Commission and is managed by the EIB. The FTF aimed to help the EIB overcome capacity and expertise gaps in the Mediterranean Partner Countries (MPCs) and to create the conditions for stronger engagement in the region. To this end, it provided technical assistance, capacity building and risk capital funding in the MPCs.

This evaluation assesses the relevance and achievements of the FTF and draws lessons for the future. It seeks to inform the donors' deliberations on the future of the trust fund, including the decision on its potential replenishment. It provides an independent assessment of the Fund's relevance, results, and management.

The evaluation covers all activities undertaken by the FTF since 2004 in seven FEMIP countries (Tunisia, Palestine, Morocco, Jordan, Lebanon, Egypt, and Algeria). These activities were implemented in a range of sectors: finance and MSMEs, transport, environment, climate change and energy, research, development and innovation, and human capital.

The evaluation is based on a combination of data collection and analysis methods including documentary review, portfolio analysis, stakeholders' interviews, comparison with other sources of funding and 14 in-depth case studies.



Key Findings

Was the FTF a relevant instrument to address needs?

The FTF was and continues to be a relevant instrument, providing the EIB with the means to facilitate the implementation of key investments in the FEMIP region. Socioeconomic changes have strained administrative capacity, hampering the MPCs' ability to prepare and implement projects. The EIB has tried to address such weaknesses through the provision of technical assistance and capacity-building support. While the FTF has not been the only source of technical assistance available to the EIB for this type of activity in the region, the alternative sources have had several limitations. Firstly, they have not allowed the financing of upstream technical assistance and support. Secondly, these alternatives tended to have more complicated governance structures, making them slower to mobilise. Thirdly, the longer approval times have made these alternatives less practical to finance smaller technical assistance operations. These elements plead in favour of continuing the FTF.

The flexibility of the FTF was key to complement other sources of funding. The FTF was implemented alongside other sources of funding which have evolved over time. The flexibility of the FTF enabled the Bank to use it to fill gaps in the funding available for various forms of technical assistance. The FTF's focus has evolved over time, with fewer upstream studies and support and more assistance directly connected to projects, reflecting the changes in the availability of other sources of funding.

All types of activities funded by the FTF have been relevant considering the needs of the region, but the FTF is no longer the right tool for financing risk capital operations. Technical assistance linked to

projects is needed to overcome bottlenecks in the preparation and implementation of projects. Upstream studies are also important because they can help the EIB and MPCs understand needs, define priorities and options for support. Capacity building programmes (especially the secondment programme) can help to strengthen capacities of the authorities in the region. Risk capital operations addressed a clear need in the region. However, while the FTF was the right tool to pilot such operations, it is no longer the right tool to scale them up since it is not able to provide the resources required to significantly address the limited access to finance in the region. Other available sources appear to be more relevant for financing such risk capital operations.

Did the FTF achieve its objectives?

The FTF delivered clear results, particularly through the technical assistance linked to projects, which facilitated the implementation of 24 projects financed by EIB in the region. Although this implementation has not always gone according to plan, often experiencing significant delays, the FTF has made a clear contribution. Upstream studies facilitated the EIB's policy dialogue with the counterparts in the region and with other financiers, although their end use at country level has not been properly documented and is therefore difficult to assess. Risk capital operations, though few and very small, have made a modest contribution to increasing access to finance. The secondment and internship programmes were well received by both the EIB and the participants but could have benefited from clearer guidance and better results monitoring.

Did the EIB manage the FTF adequately?

Overall, the FTF has been well managed but some of its technical assistance operations could have been managed more closely. Management at fund level was good with swift approval of the operations and good quality reporting. The fund managers provided clear guidance, which was highly valued by the EIB staff and resulted in a complementary use of the FTF. Communication with the donors was also good. However, some technical assistance operations were not managed closely enough. This had an influence on the delays experienced and, in some cases, limited the ability to take early corrective action when the technical assistance operations were not going in the right direction.



Recommendations

The EIB should define more explicitly the types of activities it intends to prioritise during each programming period. The flexibility of the FTF was key to adapt to evolving needs and priorities in the region and to complement other sources of finance available to the EIB. The Bank is therefore encouraged to maintain the in-built flexibility of the FTF in terms of type of assistance financed, targeted sectors and countries. At the same time, the Bank is encouraged to define more explicitly the type of activities it envisages to prioritise for the respective period, based on a regular reassessment of what type of FTF operations (technical assistance linked to projects, upstream studies, capacity building programmes, etc.) make the biggest difference. The 2021 – 2025 Strategic Orientations point out the priority policy areas the FTF will focus on but do not provide an indication of the types of activities which will be prioritised. Yet, the evaluation found that there has already been a de facto prioritisation of the technical assistance linked to projects, and no risk capital operation were approved in the past five years. The Bank is therefore encouraged to be more explicit about these choices. Making clear, on a regular basis, which types of activities will be predominantly used in a period – taking into account needs, policy orientations, alternative sources of funding etc. – will likely also help address the donors need for more clarity on the complementarity and value of the FTF.

The EIB should carry out an analysis of the bottlenecks affecting the implementation of technical assistance operations in the FEMIP region and put in place a plan to address the most critical ones over which it has control. The implementation of the FTF technical assistance operations experienced important delays. Most of these delays were linked to factors that were outside the EIB's control (such as the political instability of the countries of the FEMIP region or the COVID-19 pandemic). However, some of the delays are also due to factors that the EIB can control. As highlighted in interviews, EIB staff cannot always remain as involved as they would like in the management of technical assistance operations, including in the case of some operations that could benefit from early corrective measures. The limited number of EIB staff in the field as well as high workloads and competing priorities don't always allow for full hands-on involvement. As a result, the knowledge of what's at stake for the different parties is sometimes partial, as is the ability to rapidly intervene to address issues as they arise.

The EIB should provide strategic guidance for the implementation of the internship and secondment programmes if further implementation cycles are envisaged. The programmes aimed to contribute to capacity building in the MPCs. However, they did not identify what capacity needs to be developed and how the FTF activities could contribute to this. Subsequently, the selection of the trainees/ secondees was not driven by criteria relating to the development of specific capacities and no guidance was provided to the EIB services to ensure clarity on how the traineeships/ secondments were expected to contribute to capacity building. Monitoring of the programme's overall results was also limited.

Management Response

The Management Committee appreciates the valuable analysis, lessons learned and conclusions of the evaluation of the FTF, which is the first ever EIB's own facility - established almost two decades ago.

The Management Committee welcomes the recognition that the Trust Fund has been and continues to be a relevant instrument, providing the EIB with necessary resources to facilitate the implementation of important investments in the Southern Neighbourhood region and to support capacity building of promoters and beneficiaries. It has to be underlined that the Trust Fund's flexibility is a key element to allow the Bank to quickly react to needs in the beneficiary countries in the ever evolving social, economic and environmental circumstances, and to maintain complementarity with other sources of funding. The Management Committee also welcomes the conclusion that the Trust Fund has been well managed, has a swift approval process and a good quality of reporting, as well as satisfactory communication with the Donors.

The Management Committee would like to thank the Inspectorate General for the evaluation and its assessment of the relevance, results and management of the FTF which will inform the FTF Donors' deliberations on the future of the Trust Fund, including their decision on its potential replenishment. Considering the high relevance of the FTF for EIB Global operations in the Southern Neighbourhood region the Bank counts on further support of its shareholders and the EC through renewed contributions to the FTF.

Table 1: Management response to the evaluation's recommendations

Recommendation 1
<p>The EIB should define more explicitly the types of activities it intends to prioritise during each programming period. The flexibility of the FTF was key to adapt to evolving needs and priorities in the region and to complement other sources of finance available to the EIB. The Bank is therefore encouraged to maintain the in-built flexibility of the FTF in terms of type of assistance financed, targeted sectors and countries. At the same time, the Bank is encouraged to define more explicitly the type of activities it envisages to prioritise for the respective period, based on a regular reassessment of what type of FTF operations (technical assistance linked to projects, upstream studies, capacity building programmes, etc.) make the biggest difference. The 2021 – 2025 Strategic Orientations point out the priority policy areas the FTF will focus on but do not provide an indication of the types of activities which will be prioritised. Yet, the evaluation found that there has already been a de facto prioritisation of the technical assistance linked to projects, and no risk capital operation were approved in the past 5 years. The Bank is therefore encouraged to be more explicit about these choices. Making clear, on a regular basis, which types of activities will be predominantly used in a period – taking into account needs, policy orientations, alternative sources of funding etc. – will likely also help address the donors need for more clarity on the complementarity and value of the FTF.</p>
Management response: Partially agreed
<p>On 23 February 2022, the FTF Assembly of Donors approved the FTF Strategic Orientations & Operational Plan for the period 2021-2025, which defines three strategic priorities of the FEMIP</p>

Trust Fund based on EU policy framework, namely the New Agenda for the Mediterranean within the renewed partnership with the Southern Neighbourhood of February 2021, as follows:

- 1) Human development
- 2) Strengthen resilience, build prosperity and seize the digital transition
- 3) Green transition: climate resilience, energy and environment

In addition, during the FTF Assembly of Donors meeting of 1 June 2022, a detailed pipeline of operations in the Southern Neighbourhood was presented, including a total of approx. EUR 100 million of technical assistance needs exclusively, with the view of seeking the replenishment of the Trust Fund. Hence, the prioritisation of technical assistance operations in the period covered by the FTF Strategic Orientations & Operational Plan was explicit. No formal exclusion of risk capital operations from the FTF activities was deliberately made, with the purpose of maintaining the advantageous flexibility of the FTF.

Although risk capital operations are eligible as per FEMIP Trust Fund Rules of Establishment and Administration, the last risk capital operation was approved under this Trust Fund in 2017 within UK-financed CAMENA envelope (Climate Action for MENA region). All of the remaining 4 risk capital operations approved under the FTF since inception, were fully disbursed and completed and made an important contribution to piloting impact finance operations now typically implemented under other mandates at the Bank's disposal.

Recognising the important role of FTF and the effort already made in prioritizing the use of its resources against its broad and flexible scope, the Management Committee considers the flexibility of the FTF a very pertinent feature which should be maintained going forward in order to ensure that the vehicle remains highly suitable to respond to the needs in the Southern Neighbourhood region, which tend to evolve over years.

The EIB Services will therefore continue providing clarity to the FTF Assembly of Donors on the strategic priorities of the Trust Fund also in subsequent Strategic Orientations & Operational Plans as well as through pipeline sharing. It will also be reiterated in the upcoming FTF Assembly of Donors meetings that in the period until 2025 it is indeed expected to focus on TA operations in the context of the magnitude of needs for project identification, development and implementation in the beneficiary countries as well as for supporting capacity building and mainstreaming gender equality and climate action operations in line with the EIB's ambitious targets defined in the Climate Bank Roadmap.

Recommendation 2

The EIB should carry out an analysis of the bottlenecks affecting the implementation of technical assistance operations in the FEMIP region and put in place a plan to address the most critical ones over which it has control. The implementation of the FTF technical assistance operations experienced important delays. Most of these delays were linked to factors that were outside the EIB's control (such as the political instability of the countries of the FEMIP region or the COVID-19 pandemic). However, some of the delays are also due to factors that the EIB can control. As highlighted in interviews, EIB staff cannot always remain as involved as they would like in the management of technical assistance operations, including in the case of some operations that could benefit from early corrective measures. The limited number of EIB staff in the field as well as high workloads and competing priorities don't always allow for full hands-on involvement. As a result,

the knowledge of what's at stake for the different parties is sometimes partial, as is the ability to rapidly intervene to address issues as they arise.

Management response: Agreed

The underlying issue is of a general and systemic nature, not only inherent to the operations financed by the FTF but applicable also to other EIB operations across Outside EU geographies and sectors. Given the bank-wide impact of this recommendation, it cannot be taken in isolation for the FTF. Analysis of existing bottlenecks affecting the implementation of TA operations has already been conducted in the past for OEU operations and one of the major constraints is the lack of sufficient staff resources on the field. Currently, EIB Global is conducting a review of processes for optimization and efforts are on-going to increase local presence, including in the External Offices located in the MENA region. An overall local presence implementation road map to that effect was approved by the Management Committee in November 2022, and this will also be further elaborated in the EIB Global strategy. The EIB Management Committee is and will continue to explore the possibility of enhancing EIB local presence to address capacity gaps.

At the same time, the Management Committee acknowledges the recommendation and recognizes the need for additional measures to accelerate disbursement and completion of operations OEU in general, and therefore considers that an analysis of the limitations affecting the implementations of TA operations could indeed be of value-added.

Recommendation 3

The EIB should provide strategic guidance for the implementation of the internship and secondment programmes if further implementation cycles are envisaged. The programmes aimed to contribute to capacity building in the MPCs. However, they did not identify what capacity needs to be developed and how the FTF activities could contribute to this. Subsequently the selection of the trainees/ secondees was not driven by criteria relating to the development of specific capacities and no guidance was provided to the EIB services to ensure clarity on how the traineeships/ secondments were expected to contribute to capacity building. Monitoring of the programme's overall results was also limited.

Management response: Agreed

The two capacity building programmes were approved under the FTF as follows:

- The internship programme, approved in 2006 and extended various times to offer on-the-job training at the EIB for young graduates from the Southern Neighbourhood region, with the aim of developing their professional skills and improving their career prospects. For the Bank, the aim was also to help develop a pool of professionals in the region and with whom it could build long-term relationships; the programme came to an end in 2021. A total of 196 trainees benefitted from this programme over the 15-year period.
- The secondment programme, approved in 2013 and completed in 2022 welcomed a total of ten secondees. Its aim was to strengthen institutional capacity in the Southern Neighbourhood by hosting secondees from public sector institutions (including various

ministries such as Finance, Economy, Transport, Environment, etc. Central Banks and other public organizations) and build their institutional skills in development banking.

The FTF internship and secondment programmes were the first of their kind to be implemented by the Bank with the use of Donors resources with the first one designed almost two decades ago. Thus, lessons learned and areas for improvements are obvious to arise. At the same time, findings should be considered within the context of the long duration of these capacity building programmes which have constraints regarding their assessment potential due to confidentiality of personal information data and difficulty to follow up with interns and secondees that were hosted by the Bank many years ago. In addition, it should be underlined that in accordance with EIB's internship and secondment procedures business cases are developed to clearly define the purpose of each intake and the competences required/to be developed by the candidates. It is also one of the managerial tasks within each hosting Department/Division to define the programme of the internship/secondment.

Acknowledging the importance of a systematic aggregation of results of such capacity building programmes, it is underlined that in the foreseeable future no additional internship and secondment programmes are expected to be proposed under the FTF. Moreover, lessons learnt from those implemented under the FTF are reflected in the internship programme recently financed by the Government of Luxembourg and launched under another EIB Trust Fund, namely the Financial Inclusion Fund (FIF), including a more strategic approach. This approach is replicable and could be used or adapted for future initiatives of the same nature, in other areas outside EU.

1. Introduction

The Facility for Euro-Mediterranean Investment and Partnership Trust Fund (FTF)

The Facility for Euro-Mediterranean Investment and Partnership Trust Fund (FTF) was established in 2004 to widen the range of instruments available to the Bank to stimulate private sector development and foster economic growth in the Mediterranean region. Its creation was intended to strengthen FEMIP¹ with a demand-driven trust fund that would help the Bank overcome capacity and expertise gaps in the MPCs and create the conditions for stronger engagement in the region. The ultimate goal of the trust fund is to contribute to the stability and prosperity of the MPCs in line with the objectives of the European Neighbourhood Policy. One of the key premises of the Fund was that donors, primarily EU Member States, which are also the Bank's shareholders and therefore committed to its development objectives, would pool their resources to support EIB activities in the region. Such pooling would also enhance the donors' own policies and programmes in favour of the MPCs, in addition to leveraging the EIB's knowledge, expertise and financial weight. In this context, the Fund was to provide grant and risk capital funding in MPCs to support or complement FEMIP operations. In doing so, the Fund would also help the EIB position itself as one of the leading international financial institutions (IFIs) in the region² and promote the Bank's dialogue with national authorities on economic policy and private sector development³.

FTF was established in 2004 to widen the range of instruments available to the Bank to stimulate private sector development and foster economic growth in the Mediterranean region. Its creation was intended to strengthen FEMIP¹ with a demand-driven trust fund that would help the Bank overcome capacity and expertise gaps in the MPCs and create the conditions for stronger engagement in the region. The ultimate goal of the trust fund is to contribute to the stability and prosperity of the MPCs in line with the objectives of the European Neighbourhood Policy. One of the key premises of the Fund was that donors, primarily EU Member States, which are also the Bank's shareholders and therefore committed to its development objectives, would pool their resources to support EIB activities in the region. Such pooling would also enhance the donors' own policies and programmes in favour of the MPCs, in addition to leveraging the EIB's knowledge, expertise and financial weight. In this context, the Fund was to provide grant and risk capital funding in MPCs to support or complement FEMIP operations. In doing so, the Fund would also help the EIB position itself as one of the leading international financial institutions (IFIs) in the region² and promote the Bank's dialogue with national authorities on economic policy and private sector development³.

Box 1: The Facility for Euro-Mediterranean Investment and Partnership (FEMIP)

FEMIP combined all resources available to the Mediterranean Partner Countries, which were financed or managed by the EIB, in one facility. This included EIB-loans (both with and without EU budget guarantee) and resources from the EU budget for technical assistance, risk capital and interest rate subsidies for environmental projects. FEMIP financed operations worth over €14.8 billion between October 2002 and December 2013. For the period 2014-2020, FEMIP was endowed with €9.6 billion to support projects in the eligible MPCs. Under the European Neighbourhood policy and in the framework of the Union for the Mediterranean, FEMIP encouraged the modernisation and opening-up of the MPCs' economies, focusing its activities on two main priorities: private sector support and the creation of an investment-friendly environment.

Source: FEMIP Instruments, EIB, 2014

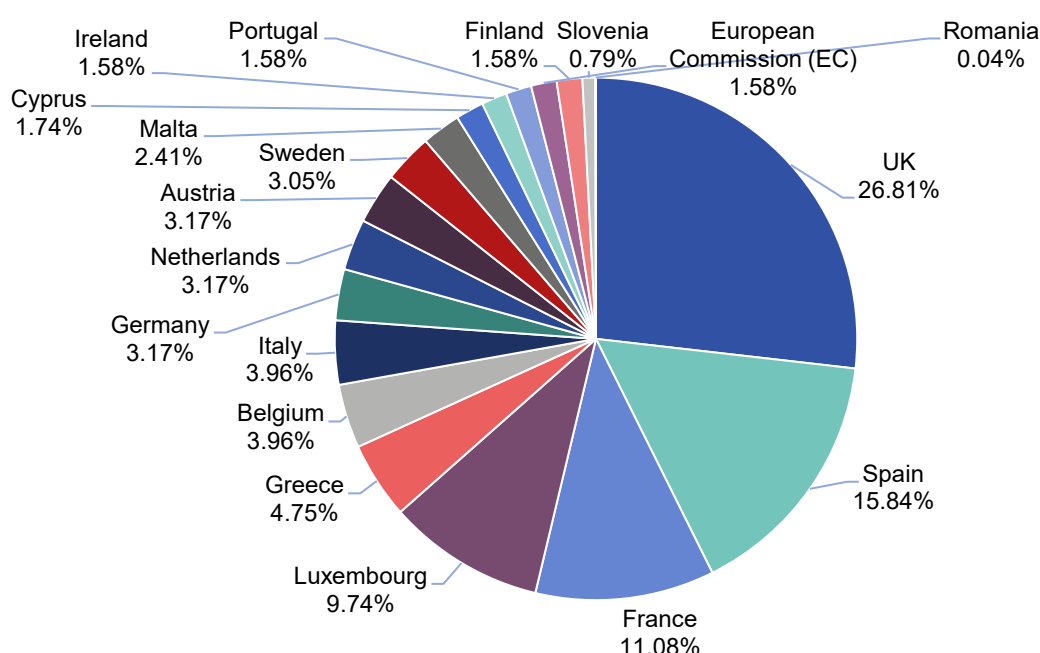
The FTF draws its resources from 17 EU Member States, the United Kingdom, and the European Commission. The United Kingdom, Spain, France, and Luxembourg have made the largest contributions since 2004, together accounting for 64% of the FTF's endowment, which amounted to €61.3 million at the end of 2022. Moreover, €4.5 million of repayments from risk capital operations and €1.6 million of the interest earned on its bank account have also been re-injected into the trust fund, in addition to donors' pledges.

¹ The reinforcement of FEMIP was decided at the 3rd FEMIP Ministerial Committee meeting in Naples on 10-13 November 2003, which also agreed to create a Special FEMIP Envelope for loans with a higher risk profile, to strengthen the dialogue in annual ministerial meetings and to expand FEMIP's local presence in the region.

² Other IFIs include the European Bank for Reconstruction and Development (the EBRD), the World Bank (WB) and the African Development Bank (AfDB).

³ In the context of FEMIP, this dialogue was at first organised through a Policy Dialogue Coordination Committee, which evolved into an annual ministerial meeting, prepared at expert meetings.

Figure 1: Share of paid-in contributions 2004-2022



Source: Evaluation team, based on EIB data

The FTF was deliberately designed to be broad and flexible. It enables various types of activities to be financed in all ten FEMIP countries⁴. The sectoral coverage spans across virtually all key sectors of EIB activity in the region. The FTF has no pre-defined geographical or sectoral quotas and no constraints in terms of the size of operations it can finance.

Implementation had to follow six guiding principles⁵:

- **Flexibility**, to respond quickly and efficiently to the changing needs of the recipient countries and, accordingly, to progressively undertake new activities under its umbrella;
- **Complementarity**, filling some of the gaps in the Bank mandates in the FEMIP region. The FTF shall therefore not finance activities which can currently benefit from similar resources under existing Bank mandates in the FEMIP region;
- **Innovation**, which calls for the Fund to focus on proposals that do not necessarily require large amounts of resources but can provide high value added to the MPCs;
- **Catalytic impact** – financing activities that can contribute to mobilising more resources, partners, or technical assistance in the supported areas;
- **Ownership and feasibility**, which underscores the demand-driven nature of the instrument and the need to consult and involve the partner countries throughout the life of the supported operations; and
- **Cost sharing** with the beneficiaries of the FTF-financed operations.

The FTF has financed 89 operations since its creation. Eighty-nine operations amounting to €66.5 million were funded over the period 2005-2022 providing financing for upstream studies and support, as well as technical assistance linked to projects, risk capital and capacity building through internship and secondment programmes.

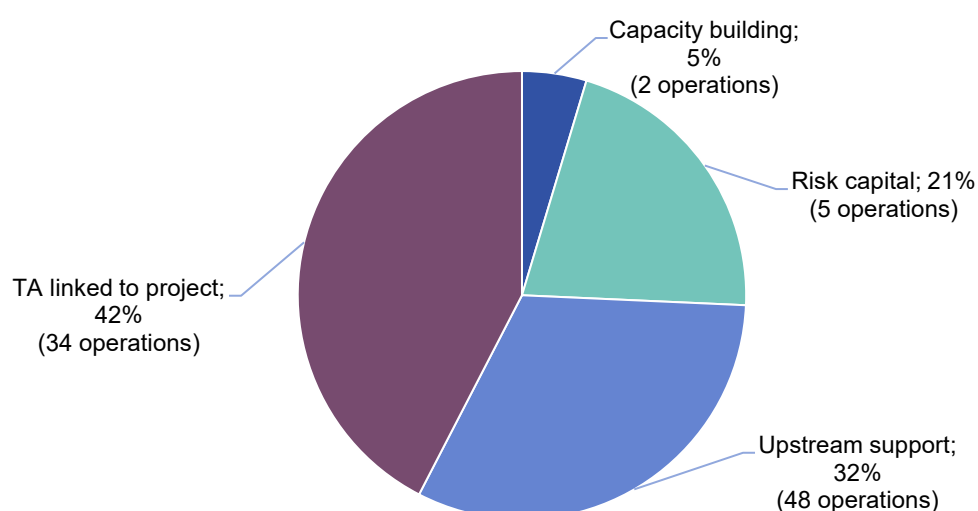
⁴ In practice, only seven countries received assistance through the FTF (Tunisia, Palestine, Morocco, Jordan, Lebanon, Egypt, and Algeria).

⁵ Rules of Establishment and Administration, FTF, 2018.

- **Upstream studies and support** include studies and needs assessments that are not directly related to a project. These studies aim to help the Bank and the authorities in the MPCs to better understand the legal and institutional frameworks, analyse markets, anticipate trends, identify constraints and opportunities, assess the potential of new products, and plan the piloting or scaling up of EIB interventions. This category also includes more generic initiatives to build institutional capacity and networks in partner countries which were not linked to any project in particular.
- **Technical assistance linked to projects** is deployed with the aim of facilitating the preparation or implementation of specific investment projects most of which were financed by the EIB, as well as to build the capacity of microfinance institutions (MFIs) and final beneficiaries of the FTF risk capital operations. Technical assistance for project preparation includes feasibility studies and social and environmental assessments necessary for investment projects. Technical assistance for project implementation includes support to promoters and financial intermediaries to facilitate the implementation of their projects, for instance by ensuring that EIB social and environmental standards are being met.
- **Risk capital operations** aim to catalyse private investment and increase access to finance in the MPCs. They provide equity and subordinated loans to funds and MFIs to facilitate the provision of equity or debt financing to early-stage companies and microenterprises.
- **Capacity-building operations** include two programmes:
 - **The internship programme**, which offers on-the-job training at the EIB for young MPC graduates, with the aim of developing their professional skills and improving their career prospects. For the Bank, the aim is also to help develop a pool of professionals, needed by the private sector, in the region and with whom it could build long-term relationships.
 - **The secondment programme** aims to strengthen institutional capacity in the MPCs. By hosting secondees from the MPCs' public sector institutions, the EIB seeks to build institutional skills of public officials with hands-on experience in development banking. Institutions of origin include various ministries (Finance, Economy, Transport, Environment, etc.), Central Banks and other public organisations across the various MPCs.

The bulk of FTF funding went to technical assistance linked to projects and upstream studies and support. 42% of the approved funding was for technical assistance linked to specific projects. Technical assistance for upstream studies and support accounted for another 32% of the funding, while the risk capital and capacity-building programmes accounted for 21% and 5% respectively (Figure 2).

Figure 2: Share of FTF approvals and number of operations by activity



Source: Evaluation team, based on EIB data

Evaluation purpose and methods

This evaluation assesses the relevance and achievements of the FTF and draws lessons for the future.

The purpose of the evaluation is to inform the donors' deliberations on the future of the trust fund, including the decision on its potential replenishment. It provides an independent assessment of the Fund's relevance, results, and management. The report also draws lessons and makes recommendations to the Bank and FTF donors in light of the FTF Strategic Orientations & Operational Plan 2021-2025.

The evaluation covers all activities undertaken by the FTF since 2004. All types of FTF activities are covered, including upstream studies and support, technical assistance linked to projects, risk capital and capacity building. Regarding its *geographical scope*, all activities delivered in FEMIP countries are covered by the evaluation⁶. In terms of *temporal scope*, the evaluation covers FTF activities from 2004 until the end of 2022. The evaluation covers all activities undertaken by the FTF across its sectors of operation, namely: finance and MSMEs, transport, environment, climate change and energy, research, development and innovation and human capital. Finally, the evaluation also includes activities funded under the two dedicated FTF envelopes: CAMENA and the Gaza Desalination Plant.

The objective of the evaluation was to assess relevance, results, and management of the FTF. The evaluation questions and focus are presented in Table 2.

Table 2: Evaluation questions

Evaluation topic	Evaluation questions and focus	Report sections
RELEVANCE	Was the FTF a relevant instrument to address needs? This section examined: (1) the extent to which the FTF was and remains an adequate instrument to address the needs of the EIB and the donors; (2) the extent to which the types of operations funded by the FTF are adequate to address the needs of the partner countries; and (3) how it complements other similar sources of finance available to the EIB.	2
RESULTS	Did the FTF achieve its objectives? This section covers the results achieved by the FTF through the delivery of upstream studies and support, technical assistance linked to projects, risk capital and capacity building operations.	3
MANAGEMENT	Did the EIB manage the FTF adequately? This section includes an assessment of the quality of FTF management at fund level and at operation level. It covers the availability and use of resources, the efficiency of the selection, preparation and procurement processes and the quality of implementation and monitoring of the Fund as a whole and of the funded operations.	4

Source: Evaluation team

⁶ The following FEMIP countries received assistance from the FTF: Tunisia, Palestine, Morocco, Jordan, Lebanon, Egypt and Algeria. The EIB suspended all its activities in Syria following EU sanctions in 2011. Operations in Libya are pending the signing of a Framework Agreement, which has been stalled for several years.

The evaluation uses a combination of data collection and analytical methods. These include:

- *Documentary review* of the FTF Strategic Orientations & Operational Plans, the Rules relating to the establishment and administration of the Fund, its Annual Reports, the minutes of Assembly of Donors meetings, as well as the project documentation and deliverables of selected FTF operations.
- *Portfolio analysis* of operations financed through the FTF compiled by the Fund's management, in terms of types of support, geographical scope, sectors of operation, and timeline (to identify possible delays and bottlenecks).
- *Stakeholders' interviews*: interviews based on semi-structured questionnaires were held with 60 individuals, including members of the Assembly of Donors, EIB staff, promoters, financial intermediaries and beneficiaries in MPCs, technical assistance providers, former interns and secondees.
- *Comparison with other sources of funding* available to the EIB for pursuing similar objectives (such as the Neighbourhood Investment Platform (NIP) or the EIB Economic Resilience Initiative TA (ERI TA)) in order to assess the relevance and complementarity of the FTF.
- *Case studies*: an in-depth analysis of 14 FTF operations⁷, was carried out to illustrate and gather lessons at project level and on the Fund's implementation process. The case studies were selected to be as illustrative as possible in terms of budget, types of operations and countries covered. However, preference was given to more recent operations to ensure availability and relevance of information.

Challenges. Given the long timespan of the FTF (2004-2022), it was not always possible to identify those involved in the design and/or implementation of individual FTF operations, many of which were completed several years ago. It was particularly difficult to obtain contacts in the partner countries' administrations due to frequent staff turnover. As a result, the views of the beneficiaries are less reflected in the report than those of EIB staff, service providers and donors.

Limitations. Documentation on older operations was sometimes incomplete. In particular, the limited information and data on the internship and secondment programmes prevented the evaluation team from drawing firm conclusions on their performance, although it did highlight areas where the management of the programmes could be improved⁸.

⁷ Out of the 70 operations, which were completed by the end of 2021, the cut-off date for the selection of the sample.

⁸ For example, it was not possible to carry out the planned online perception survey to assess the results of the internship/secondment programmes, as participants' contact details could not be retrieved due to legal constraints associated with personal data protection; moreover, no documents more than five years old (the retention timeline) are available.

2. Was the FTF a relevant instrument to address needs?

The FTF complemented and addressed the limitations of other available sources of funding throughout the period

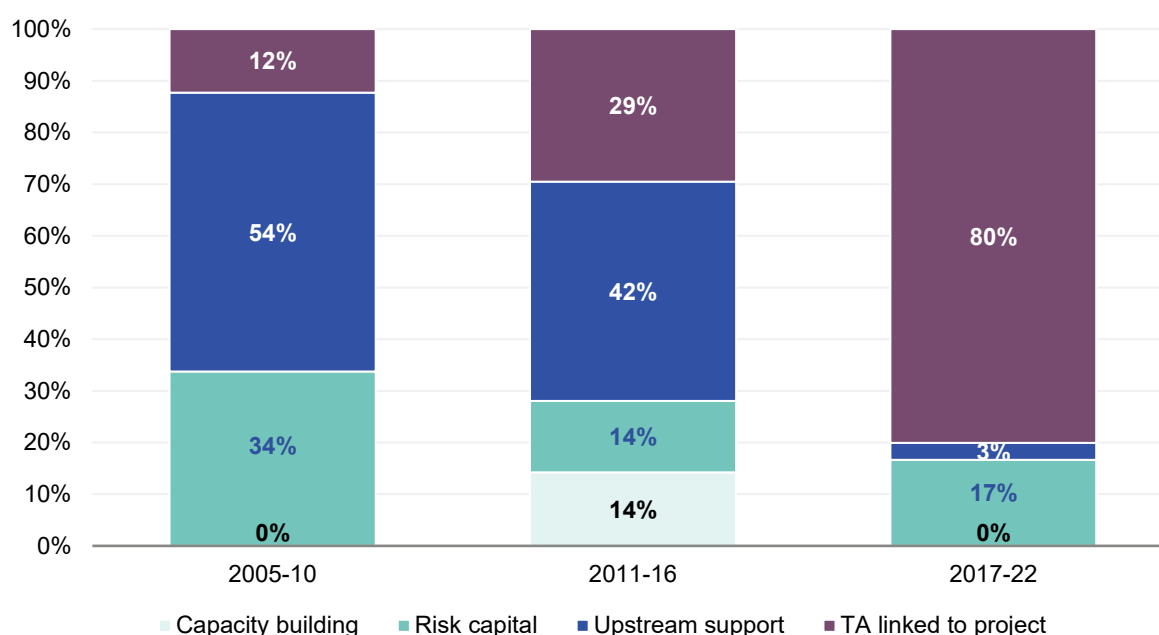
The FTF complemented other sources of funding EIB could use in the FEMIP region. The FTF is one of several mandates available for the EIB to finance technical assistance and risk capital operations in the MENA region. The FTF was expected to complement existing Bank mandates in the FEMIP area, by filling the gaps left by these other sources. Data collected from project documentation and interviews with EIB staff indicate that the FTF was indeed complementary, enabling the Bank to finance activities that were either not eligible or less suitable for financing under alternative mandates, as explained in the following paragraphs.

First, **the FTF enabled the EIB to support activities for which there were no alternative sources of finance.** This was the case for upstream studies, and for the internship and secondment schemes. The upstream studies could not have been financed by any of the alternative sources of finance, while the eligibility of the existing EIB internship and secondment schemes was not open to citizens from the MPCs.

Second, **the flexibility of the FTF enabled the Bank to finance technical assistance operations when alternative sources were insufficient and to adapt to changes in its approach to technical assistance.** Upstream support was predominant in the FTF's portfolio in the early years, but since then it has progressively reduced, while technical assistance linked to projects has increased (Figure 3). This trend was due to two factors: (1) a reduction in the alternative EIB sources of financing available for technical assistance linked to projects, resulting from the discontinuation of the FEMIP Support Fund⁹ and (2) the change in the EIB approach to increasingly prioritised technical assistance directly linked to specific lending operations, rather than upstream studies at sector or country level.

⁹ The FEMIP Support Fund (FSF) integrates support activities financed through budgetary resources from the European Union. All FSF technical assistance operations have a link to ongoing project identification, preparation, and implementation.

Figure 3: Evolution of the share of FTF approvals by type of activity



Source: Evaluation team, based on EIB data

Third, the FTF enabled the EIB to provide support that was de-linked from underlying investments, while other initiatives usually made technical assistance conditional on the existence of an underlying investment or financial engagement. Accessing technical assistance grants from blending facilities such as the Neighbourhood Investment Platform or, more recently, the EFSD+ (European Fund for Sustainable Development) has traditionally required a clear link to be shown between the requested grant and a concrete investment project with a sufficient degree of maturity. The ERI TA fund¹⁰ was even more restrictive and meant to only support projects eligible for financing under the Economic Resilience Initiative: that is, projects designed to improve the long-term economic resilience of refugees, migrants, host and transit communities and communities of origin. The FTF was much less restrictive, enabling the MPCs to benefit from technical assistance even if this assistance was only loosely linked to a specific project or were linked with a very early-stage initiative.

Lastly, from the EIB's perspective, the FTF procedures were simple and swift, making it possible to finance small-scale activities which would have been too costly to launch under other initiatives¹¹. The FTF enables funds to be more easily mobilised than other sources, such as the blending facilities. The application process for the FTF funds is less complex and lengthy, and its outcome less uncertain. This simple process enables the EIB to engage in FTF operations of a relatively modest average ticket size – €0,7 million – in comparison to €2.4 million for the NIP. In contrast, NIP procedures are lengthier and more onerous. To contend for NIP grants, project teams need to consult EU delegations before submitting a project to the facility pipeline. They then need to submit a grant application to the NIP secretariat and defend the project at the Technical Assessment Meeting. Finally, if pre-screened, the Blending Board would make the final decision.

¹⁰ The commitments under the ERI TA fund were concluded from 2017 to 2020.

¹¹ Evaluation of EIB support to the water sector outside the European Union (2010-2021) found that access to technical assistance was often time-consuming to mobilise, resulting in delays to the projects. On this basis, the evaluation recommended the EIB to increase technical assistance that is easy to mobilise.

Table 3: Key characteristics of alternative sources of finance to the FTF

Source	Period	Size in €	Comparison with the FTF
FEMIP Support Fund (FSF)	2003-2014	12 million	<ul style="list-style-type: none"> Finances TA technical assistance for project identification, preparation, and implementation; excludes self-standing activities without any link to a potential project; can support risk capital operations. FSF was initially used for technical assistance linked to project implementation and the FTF for upstream studies. Once the resources in the FSF were used up in 2013, the FTF shifted its focus to technical assistance linked to projects.
FEMIP risk capital facility	2007-2013	160 million	<ul style="list-style-type: none"> Finances larger scale risk capital operations. Technical assistance only used to leverage the impact of risk capital operations.
ERI Fund	2016-present	112 million	<ul style="list-style-type: none"> Thematic focus on vital infrastructure and private sector development while activities in all sectors are eligible. Similar instruments to the FTF but focus on investment grants and financial instruments rather than technical assistance. ERI supports larger amounts and larger-scale operations than the FTF because of bigger capacities and funds available. Besides Southern Neighbourhood (FTF), also includes Western Balkans.
ERI TA	2017-2020	90 million	<ul style="list-style-type: none"> Technical assistance and advisory support from EIB resources possible or link to ERI themes must be demonstrated. Besides Southern Neighbourhood (FTF), also includes Western Balkans. Link to vulnerable groups or migrants in the region is needed.
NIF/NIP (Neighbourhood Investment Facility/Neighbourhood Investment Platform)	2008-2020	NIF 595 million NIP 370 million	<ul style="list-style-type: none"> Technical assistance linked to projects, in addition to investment grants, interest rate subsidies and guarantees. Accessible to multiple IFIs. Priorities are driven by the European Union's programming.

Source	Period	Size in €	Comparison with the FTF
			<ul style="list-style-type: none"> • Minimum size to make lengthy approval process worthwhile results in larger average size of technical assistance operations, €0.7 million (FTF) and €2.4 million (NIP). • To submit grant application, the underlying project must be sufficiently mature. • Besides Southern Neighbourhood (FTF), also includes Eastern Neighbourhood. • Interviewees do not see competition between NIP and the FTF.
EIP/EFSD (External Investment Plan/European Fund for Sustainable Development)	2017-2021		<ul style="list-style-type: none"> • Continuation of the NIF/NIP logic with similar coverage and governance. Managed by the European Commission.
NDICI/ EFSD+ (Neighbourhood Development and International Cooperation Instrument/European Fund for Sustainable Development+)	2021-2027		<ul style="list-style-type: none"> • Continuation of the approach taken under the EIP/EFSD since 2017, with similar coverage and governance. Managed by the European Commission. • More IFIs associated and less money available under EFSD+/NDICI, potentially lending fewer resources allocated for technical assistance linked to projects which is no longer the focus.

The activities the FTF could support were and remain mostly fit to serve the variety of needs in partner countries

The FTF was intended to address technical, administrative, and financial capacity gaps in the FEMIP region. Such gaps are heterogenous and have increased due to the conjunction of several crises. Since the launch of the FTF in 2004, the Mediterranean region has faced considerable political, economic, and social instability. After experiencing a period of relative growth at the beginning of the 2000s, partner countries suffered from deteriorating economic conditions in the wake of the global financial and economic crisis of 2008-2009. This triggered unrest which led to unprecedented political changes across the region in the so-called Arab Spring, starting in 2011. Lower oil and commodity prices, regional conflicts, political instability and stalled economic and governance reforms further weakened GDP growth in the following decade. In addition, the COVID-19 pandemic delivered a major shock to the region's economies, causing a severe recession in most countries and hampering their efforts to achieve sustainable development and growth. The ongoing armed conflict in Ukraine is a new and major source of instability for the Southern Neighbourhood region. Whilst governments in MPCs have

undertaken several cycles of economic and public sector reforms¹², they are falling behind on global indices for governance¹³ and needs remain significant.

Upstream studies and support were relevant to help the EIB and the MPCs understand needs, and to define priorities and options for support in a rapidly changing context. Across the FTF priority sectors, upstream studies were relevant to support policy changes, often needed to forge an enabling environment. For instance, MicroMED, a capacity building project in the microfinance sector, was particularly relevant in addressing the need to build Tunisia's ecosystem for microcredit. It did so by providing support at all levels, from regulatory reform assistance, to training MFIs and trainers as well as strengthening institution and market infrastructure. Upstream studies were also relevant to help the EIB identify relevant options for support. A study on investments in the energy sector documented the sector context and provided information needed by the EIB (and other IFIs) to identify energy efficiency and renewable energy investment opportunities in the MPCs. Lastly, the FTF regional studies were relevant because they addressed the lack of comparative data between MPC countries, providing a basis for regional cooperation and for devising regional projects.

Technical assistance linked to projects was highly relevant because it helped address significant technical and administrative constraints in preparing and implementing projects. Public administrations and project promoters in partner countries came under increasing pressure following the Arab Spring, prompting the need for technical assistance. The interviews indicate that there are very few cases in which the preparation and implementation of projects can be done effectively without technical assistance. With partner countries facing challenges in designing, managing and implementing EIB-funded projects, technical assistance linked to projects was critical throughout the project cycle:

- at the preparation stage, technical assistance was necessary for promoters to effectively plan and design their projects, comply with the EIB's environmental and social standards or when the project required the use of new technologies.
- at implementation stage, technical assistance was most relevant to help strengthen day-to-day management through Project Management Units (PMUs) or Project Implementation Units (PIUs) and to ensure quality control.

Going forward, there is a need for support in key sectors for the region's green and digital transition. An EIB evaluation of climate adaptation¹⁴ highlights that technical expertise in this area is indispensable to convert climate resilience into bankable projects. This is also supported by other multilateral development banks working in developing and transition economies. Furthermore, EIB project documentation shows that most projects in the FTF pipeline aim at addressing needs related to climate change and environmental degradation, demonstrating the future need for technical assistance linked to projects.

FTF risk capital operations (equity and microfinance) were relevant in that they addressed a clear need in the region. The 2013 MENA enterprise survey showed that equity finance played a negligible role in the region (reaching a maximum of only 2% in the case of Tunisia) while the microfinance sector had only reached a certain level of development in Tunisia and the West Bank and Gaza. On the other hand, there was evidence of significant demand for such type of financing. Several studies¹⁵ in Tunisia estimated a demand for microfinance services from 2.5 to 3 million people, of whom at least 1.2-1.4 million seeking microcredit. The relevance of risk capital operations was further substantiated by the overall limited access to finance in the MENA region. According to the MENA enterprise survey, which

¹² Overview and key policy messages | Middle East and North Africa Investment Policy Perspectives | OECD iLibrary (oecd-ilibrary.org) and Public Sector Reform in the Middle East and North Africa (brookings.edu).

¹³ WGI 2022 Interactive > Interactive Data Access (worldbank.org).

¹⁴ Evaluation of EIB support for climate change adaptation (2015-2020).

¹⁵ Vision concertée pour le développement de la microfinance (2011).

was financed by the FTF, the percentage of firms in need of a loan that were credit-constrained in 2019 ranged from 56% in Lebanon to 88% in Egypt. The average for the region stood at 68%. Compared to the 2013 wave of the survey, the share of credit-constrained firms increased in 2019 by 14 percentage points, exceeding that of peer economies by a small margin.

Lastly, the FTF capacity building programmes were relevant because they had the potential to strengthen capacities in the region, which continue to be weak. A 2016 YouGov study¹⁶ found that international work experience and adaptability are the most difficult skills to find in the region. The internship and secondment programmes had the potential to strengthen such skills. In addition, the secondment programme also had the potential to boost the capacities of the authorities in the MPCs, which were severely affected over the evaluation period.

The FTF accommodated emerging donors needs linked to supporting the FEMIP region

The FTF enabled donors to create special envelopes in line with their specific priorities. The most telling example is the setting-up of the €14 million climate action envelope for the MENA region, in response to the United Kingdom government's will to leverage the EIB's strengths in the field of climate action to further its own ambition to support the region on this issue.

The FTF was also able to host and channel third party funds. This was, for example, the case for the €20 million Deauville Partnership MENA transition fund but also for smaller amounts (for instance €100,000 from GIZ for a study on Nationally Appropriate Mitigation Actions in MPCs).

Although the option to earmark funds was available, the majority of donors chose not to use it. As revealed in various interviews, this is because what donors generally appreciate in the FTF is its ability to pool resources and cut management costs both on the Bank's and on their side.

Table 4: Special envelopes and earmarking

Envelope	Donors	Year	Earmarked for	Amount (€)
MICROMED	Luxembourg	2012	MicroMED programme	2 million ¹⁷
CAMENA	United Kingdom	2014	Environment & climate change	13.9 million
Gaza Desalination Plant	Cyprus, Malta, Romania, Slovenia	2018	Technical assistance for the Gaza Desalination Plant project	1.79 million

Source: EIB data

¹⁶ The Skills Gap in the Middle East and North Africa, a Real Problem or a Mere Trifle, YouGov (2016).

¹⁷ Of these, €0.4 million was later reallocated to the ERI Fund.

3. Did the FTF achieve its objectives?

Upstream studies were of good quality but there is insufficient evidence to reach a conclusion about their use at country level

The evaluation found that the FTF delivered good quality upstream studies. These studies covered a wide range of socio-economic issues in the FEMIP region. The evaluation team reviewed several of these studies and found no major flaw. They were well designed, used solid methods and resulted in well-structured and clearly written reports. Both the more recent ones – such as the MENA Enterprise survey report¹⁸ – and older ones, such as a study on the potential of meso-finance for job creation in the MPCs¹⁹ were carried out by reputable outfits (consultancy companies, think tanks, academic institutions, economic departments of IFIs, etc.). Twenty-six of the FTF-financed upstream studies are publicly available on the EIB website²⁰.

The upstream studies helped the EIB to engage in policy dialogue and strengthen the reputation of its technical expertise in the region. These studies provided the EIB with key knowledge which the Bank could then use to inform its decisions and the policy dialogue it conducted with the authorities in the partner countries and other development organisations. For instance, a range of FTF-supported studies, covering topics such as climate change, energy or public private partnerships in the region have been discussed in conferences bringing together high-level representatives of the MPCs and other interested organisations. Other examples of use by the EIB include the MENA Enterprise Survey (Box 2) and a study on PPP legal and financial frameworks^{21,22}, which informed the rollout of a €1.7 million programme aimed at capacity building for PPPs across the region.

Box 2: MENA Enterprise Survey

The Enterprise Survey, financed by the FTF, is one of the FTF flagship operations. Launched in 2018, it collected feedback from many firms in the region through face-to-face interviews. The data collected is a global public good that has been used by researchers around the world. The data was also used in the context of the Enterprise Survey report, which is the result of collaboration between EIB, EBRD, and the World Bank. This report provides a common account of the state of the private sector in the region. For instance, it sheds light on which types of firms tend to be credit-constrained and why. This report was subsequently used by the EIB in its policy dialogue with the European Commission on the investment programme for the EFSD+. The report was also a source of knowledge used by the Bank in the dialogue with the authorities in the MPCs.

Source: Evaluation team, case study

¹⁸ Available at <https://www.eib.org/en/publications/unlocking-sustainable-private-sector-growth-in-mena>

¹⁹ Available at: <https://www.eib.org/en/publications/femip-study-the-potential-of-mesofinance-for-job-creation>

²⁰ This represents about 40% of all FTF operations classified as “upstream studies and support”. However, this percentage needs to be interpreted with care, as this category includes support which was aimed at, for example, fine-tuning and /or reaching consensus on an initiative, and for which a paper / report was not an expected output.

²¹ Available at: <https://www.eib.org/attachments/med/ppp-study-volume-1.pdf>

²² Available at: https://www.eib.org/attachments/country/femip_study_on_ppp_en.pdf

There appears to be no mechanism within the Bank to track the use of such studies, as illustrated in Box 3. Interviews with EIB staff confirm that the Bank is not usually aware of the end use of the upstream studies and the benefits obtained in terms of designing or launching new products to fill market gaps, developing investment project pipelines, creating enabling environments or strengthening administrative capacity.

It is even more difficult to understand the benefits reaped by recipient authorities as the counterparts from the MPCs are usually unknown and were in most cases defined generically in the terms of reference of these studies. For instance, the intended users of the study on *Improving the Efficiency of Workers' Remittances in Mediterranean Countries*²³ were defined as “the authorities of both host and recipient countries”. Similarly, in most cases where the EIB was identified as the main user of the study, there was generally no explicit reference in the terms of reference to the lead service in the EIB responsible for the uptake of the results.

Box 3: TA to support start-up businesses in the FEMIP region

A €2 million FTF operation launched in 2014 provided technical assistance to support the development of start-ups in the region. It contributed to the establishment of a network of seed accelerators to support young innovative companies on a pilot basis. However, this operation does not appear to have led to further EIB activity in this area, although the technical assistance made a series of recommendations to the Bank to this effect. More generally, it was not clear to the Bank what benefits the operation brought to the stakeholders and how it contributed to the development of the sector.

Source: Evaluation team, case study

Technical assistance facilitated the preparation and implementation of projects, though not always according to plan

The FTF supported the origination or implementation of 24 EIB lending operations. Out of the 34 technical assistance operations linked to a specific project, 24 were also linked to at least one specific EIB lending operation. The rest either supported projects financed by other financiers (such as IFIs or Member States) or did not eventually lead to a project being initiated. The 24 EIB projects which benefited in one way or another from the FTF TA were generally implemented in the transport, energy, and water sectors, often in cooperation with other financiers.

Technical assistance for project preparation generally delivered good quality outputs, which informed decision-making. With a few exceptions²⁴, the feasibility studies and environmental and social impact assessments reviewed by the evaluation team were of good quality. This was also confirmed through interviews with EIB staff, promoters and other IFIs in the context of the evaluation case studies. Even though sometimes early drafts needed substantial revision, the approach and methods used were fundamentally sound. Resulting reports were clearly written, and they helped the project promoters consider different options and make informed decisions on their projects' design. They also helped the EIB (as well as other IFIs) carry out their due diligence and thereby facilitated the financing decision-making process.

Technical assistance for project implementation helped to address bottlenecks faced by PMUs. This form of technical assistance often related to financial planning and reporting (such as preparation of realistic expenditure forecasts), procurement procedures and works supervision. Beneficiary institutions particularly welcomed the advice on the EIB's newly introduced environmental and social

²³ Available at: <https://www.eib.org/en/publications/study-on-improving-the-efficiency-of-workers-remittances-in-mediterranean-countries>

²⁴ In two of the cases reviewed, EIB staff reported dissatisfaction with the outputs produced by the technical assistance team.

standards, with which the promoters are not yet well acquainted, lacking the tools and knowledge to put them into practice (Box 4).

The materialisation of the supported projects did not always go according to plan, being influenced in most cases by factors outside the control of the FTF.

While the FTF delivered what it was expected to deliver, the materialisation/implementation of the supported projects is dependent on many other factors, which are often outside the control of the EIB. For example, the availability of reliable, stable, and complete data for the feasibility studies, the coordination between all parties involved or the commitment of the project promoters. These factors were in some cases not met or at least not in the timeframe initially hoped for, thereby hampering swift implementation of the project (Box 5). Similarly, for the technical assistance linked to project implementation, the link between good technical assistance support and project success is also not automatic. For instance, while the technical assistance provided for the road modernisation projects (Box 4) was very much appreciated by the recipient and was found useful beyond the boundaries of the specific project, the high staff turnover in the project implementation unit meant that knowledge and skills could not benefit the organisation in the longer term. And given the longer-term nature of the issues at hand (obtaining the land needed to build the roads) the technical assistance did not result in an acceleration of the project according to plan, and implicitly in the expected speeding up of EIB loan disbursements.

Box 4: Road modernisation

The FTF funded a 49-month technical assistance operation to help national authorities with the implementation of three EIB road infrastructure projects. Having suffered high staff turnover in recent years, the project management unit was also lacking experience with EIB's increasingly stringent environmental and social standards. The FTF-supported technical assistance experts contributed to the smoother implementation of the project ensuring compliance with EIB requirements. The technical assistance was also appreciated for some of the deliverables and training material it produced, for example a guide on resettlement-related matters, which is expected to be used for other road investment projects.

Source: Evaluation team, case study

Box 5: Energy storage

For a large energy storage project in the region, the EIB decided to cooperate with other financiers to help the government develop a bankable project. Through the FTF, the EIB was able to line up its technical assistance quickly to carry out the environmental assessment. However, the technical assistance led by other financiers encountered some difficulties. Sequencing issues, together with other contextual factors, resulted in delays. This energy storage project, on which work started more than four years ago, will take another three years to materialise in a loan signature for the EIB, provided all other conditions are met.

Source: Evaluation Team, case study

The five risk capital operations were innovative, catalysed private investments and made a modest contribution to increasing access to finance

The FTF financed small, pilot risk capital operations that were innovative. These operations were new either to the Mediterranean countries or to the EIB. For instance, the FTF supported the first privately managed seed capital fund in one of the FEMIP countries and the first venture capital fund in another one, as well as the first loan fund operating in the Mediterranean region providing finance to

cooperatives and socially responsible companies. Similarly, the FTF provided direct support for the establishment of a new microfinance institution in the region, another premiere for the EIB.

The five small risk capital operations helped to catalyse private investment at intermediary level.

This effect happened in several ways: by design of the supported operation, by improving the capital adequacy ratio of the intermediary and by enhancing the visibility of the intermediary at local level.

- The FTF invested €4 million in the C shares (junior tranche) of a layered fund which facilitated the expansion of the fund's activities to the MENA region. By design, every euro invested in the C shares of this fund creates space for three euros to be invested in more senior shares. The evolution of the fund's shareholder structure shows that the fund struggled to attract private financing until 2015. Shortly after the FTF investment (February 2017), a significant amount of private investment was attracted by the fund (in the most senior tranche). Therefore, by design the FTF helped to create space for investments in the most senior tranche, which was all eventually subscribed by private investors.

The interviews confirm that the FTF investment was key to catalysing private investment. The main reasons behind the reluctance of private investors prior to 2015 were reported to be the risk associated with a long-term investment and the insufficient scale and geographical diversification of the fund. By investing in a junior tranche specifically dedicated to the MENA region (not previously targeted by the fund), the FTF clearly helped to reduce risk, and enhance the scale and geographical diversification of the fund, thereby addressing the concerns of the private investors.

- The FTF financed a low-cost subordinated loan for a newly established microfinance institution with a clear developmental remit reflected in its product range and conditions, geographic areas of operation, and targeted beneficiaries (microenterprises and low-income self-employed persons). Through this loan, the FTF helped to improve the institution's capital adequacy ratio at a time when the company was experiencing financial difficulties. This in turn helped the company to attract financing from other investors and to subsequently achieve a 70% average annual rate of growth of its portfolio.
- The FTF provided strong support to a seed fund in the region, both through a significant equity participation and through accompanying technical assistance which helped to strengthen the management of the fund. While there were no initial expectations to attract private investment in the fund, the EIB's strong support helped to enhance the visibility and credibility of the fund at local level. This eventually led to a range of local banks and insurance companies joining as shareholders of the fund.

The five risk capital operations helped to increase access to finance for small, underserved companies. These five operations financed by the FTF were small compared to other similar operations financed by the EIB in the region, and minuscule when compared to the overall financing needs. Therefore, they could not have been expected to make a significant difference in terms of improving access to finance. However, by focusing on early-stage companies and microenterprises (which the existing surveys show are to a large extent credit-constrained) and by playing a catalytic role the FTF has clearly made a small contribution to this objective.

The internship and secondment programmes were well received but lacked a clear strategy and only partly met expectations

The FEMIP internship programme was well received by both the EIB and interns. Over the years, this programme has grown in popularity among the partner countries and within the EIB, thus significantly increasing the volume of applications. For instance, 892 applications were received in response to the sixth campaign in 2011-2012 to fill only 12 positions. The internship programme provided trainees with

highly valued on-the-job experience and training in a global development environment, while giving the EIB an opportunity to benefit from the knowledge they brought to the institution (such as Arabic language skills).

The secondment programme – the other capacity building initiative funded by the FTF – has remained modest in size. Since the launch of the programme in January 2013, in total the EIB welcomed ten secondees – from Egypt, Palestine, Tunisia, Morocco, and Algeria – who worked as officers in the Operations Directorate and in the Secretariat General. This number was significantly below the initial targets, which aimed at an average of four secondees per year, or a total of 28-30 people over the period of reference for this evaluation. As in the case of the internship programme, the feedback from the secondees and EIB staff has been positive overall, the secondment being described as a unique opportunity to develop the skills of professionals and build good relationships with the MPCs.

The lack of a clear guidance has reduced the potential of these two programmes for capacity building. There was generally insufficient guidance on what kind of capacity these programmes aimed to develop and how this was going to benefit the authorities in the MPCs. The interns/ secondees did not have specific objectives and there were no guidelines for how directorates should help them to develop. There was also no systematic monitoring²⁵ of the satisfaction of interns/secondees or that of the EIB units involved. This limited the ability of the EIB to learn from the experience with these programmes.

²⁵ The programmes do not carry out simple pre/post surveys of participants. The evaluation team could not conduct a 'perception survey' because contacts with the participants could not be made due to changes in IT system and legal (data protection) constraints.

4. Did the EIB manage the FTF adequately?

The FTF is managed by the EIB on behalf of the donors. A specialised team that is currently part of the EIB Global Directorate is responsible for the overall management of the FTF, with support from the EIB's Secretariat General. The operations financed by the FTF are managed by a cross-directorate project team.

Responsibility for the management and monitoring of the FTF operations is shared between several EIB services:

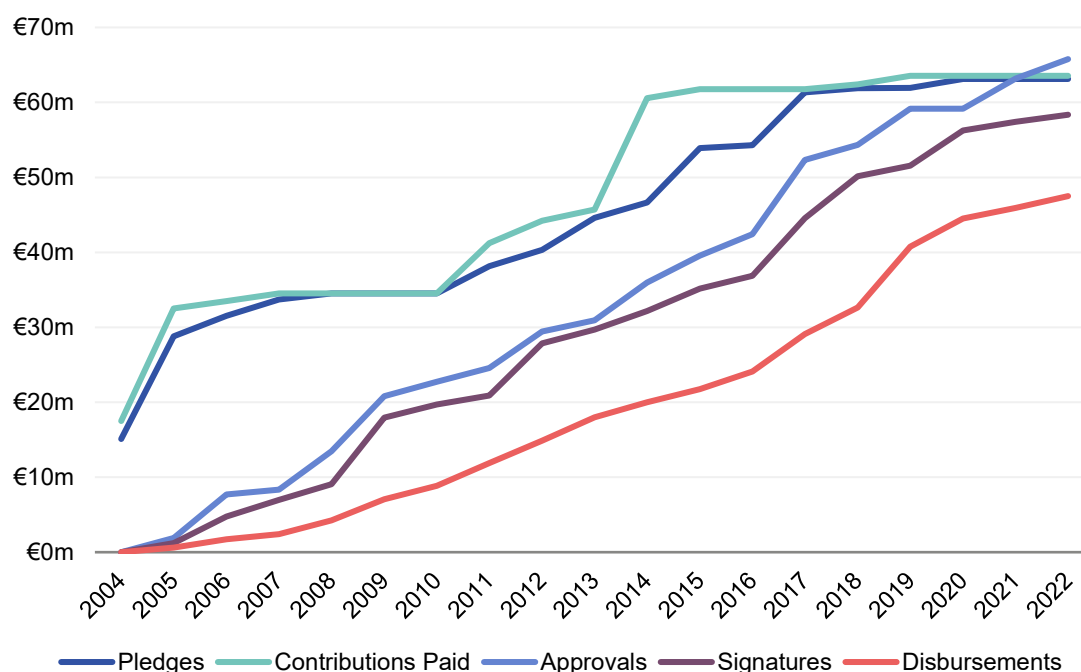
- **Technical assistance operations** are managed jointly by a division dedicated to the procurement and contract management of technical assistance and the project team.
- **Risk capital operations** are managed directly by the project team in charge of that operation, which signs a contract with the selected financial intermediary and supervises implementation.
- **FEMIP internship and secondment programmes** are implemented along the same lines as other EIB internship and secondment schemes and are managed by the EIB's Human Resources Department.

Management at fund level was adequate

The Fund has achieved a high contracting and disbursement rate, albeit over a long period. At end - 2022, €58.4 million was contracted (88% of approvals), of which €47.5 million (81% of signatures) had been disbursed. This happened over a period of 17 years. There is a time lag between the paying-in of contributions and the approval of operations, especially in earlier years. As shown in Figure 4, the donors paid in more than half of the Fund's endowment (€34.5 million) in the first four years of the Fund's existence (2004-2008). This amount was only fully contracted in 2014 and fully disbursed in 2018, ten years and 14 years after the creation of the Fund respectively. The slow utilisation of funds is not an issue per se, as the speed of resource utilisation was never one of the Fund's success criteria. The pace of the Fund's use was influenced by several factors:

- *The need to ensure that the Fund complements other sources.* One of the FTF's core principles is complementarity. From its inception, it was only supposed to be used when there were no suitable alternative sources of funds.
- *Novelty of the FTF to the EIB.* The FTF was the first ever trust fund managed by the EIB. As a result, there was a need for the Bank to go through a learning curve when it comes to the management of such fund.
- *Focus on small technical operations.* The FTF financed small-scale operations for the most part (primarily upstream studies or small technical assistance support).

Figure 4: FTF cumulative use of funds (2005-2021)

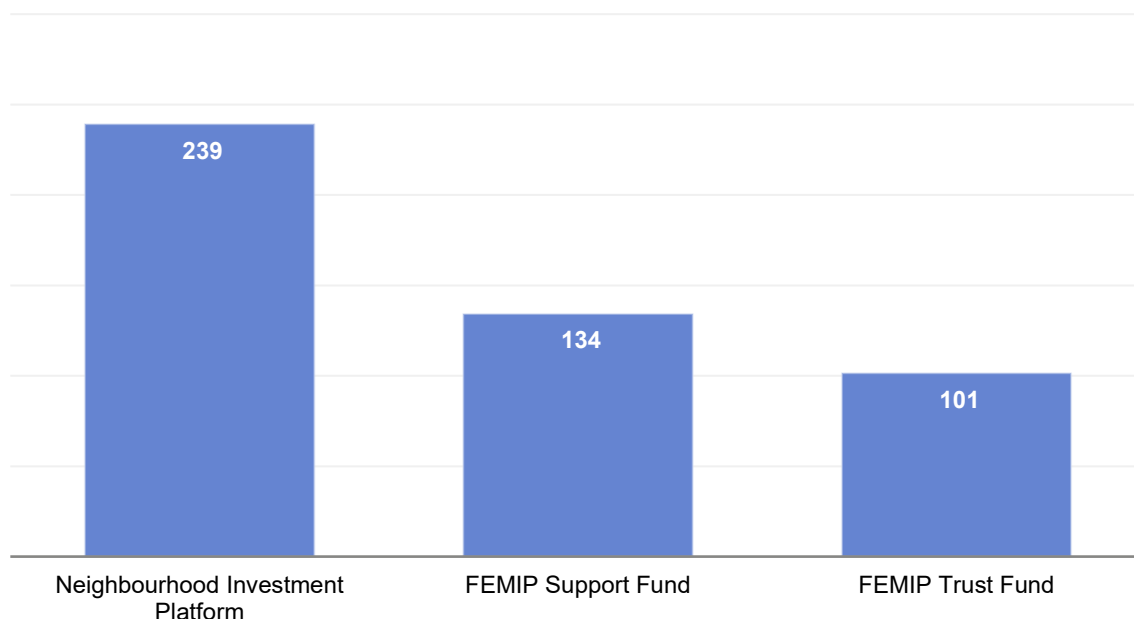


Source: Evaluation team, based on EIB data

The approval of FTF operations is expedient when compared with other instruments such as blending facilities. One of the explanatory factors identified is the swifter procedures and shorter decision chains for mobilising FTF funds. In essence, once the FTF has been identified as the most appropriate source to finance a technical assistance operation²⁶, a project team only needs to submit a request for approval by the EIB Management Committee and the Assembly of Donors. By contrast, to compete for NIP support, for example, the project team needs to consult EU delegations before submitting a project to the facility pipeline. It then needs to submit a grant application to the NIP secretariat, defend the project at the Technical Assessment Meeting, and then, if pre-screened, go to the Blending Board, which makes the final decision.

²⁶ This is done via an initial assessment by the EIB's FTF management team, on the basis of a pipeline questionnaire that was introduced in 2021 following a recommendation of the EPTATF evaluation – Available at: <https://www.eib.org/en/publications/evaluation-of-the-eastern-partnership-technical-assistance-trust-fund>.

Figure 5: Average time of technical assistance operations from initiation to approval – the FTF vs. other similar programmes (# of days)



Source: Evaluation team, based on EIB data

The FTF fund managers provided support to the EIB project teams to choose the most appropriate source of funds. This helped the project team address the support needs they identified and prepare their applications. The interviews with EIB staff confirm that the guidance provided by the FTF fund managers was clear and particularly important because it enabled implementation of the FTF to complement other sources.

Good practices developed in other similar trust funds were adopted and adapted to the FTF. For example, an independent evaluation of the Eastern Partnership Technical Assistance Trust Fund²⁷ (EPTATF), a trust fund focusing on the Eastern Neighbourhood, recommended the introduction of pipeline questionnaires, which, among other things, help select the best source of funding for each technical assistance project. When this document was developed, it was also introduced for the FTF.

The management of the FTF was also adapted over time, reflecting the improvements made in the Bank's systems The introduction of the ReM (results measurement framework) for technical assistance in 2017 helped to better articulate the intervention logic of the technical assistance operations and therefore better explain what these operations are trying to achieve and how. It also helped to improve monitoring by ensuring that indicators are being defined. The introduction of ASApp, the EIB Advisory Services application, has also made it possible to obtain a quick and accessible overview of the various technical assistance operations financed by the Bank.

Despite the overall improvements, the information currently included in ASApp is not fully accurate. For instance, for some of the older advisory assignments, the initiation date appears after completion of the assignment, as these have been transferred ex-post from the Bank's technical assistance legacy application.

Overall interaction between EIB fund managers and the donors was good, as was the quality of the reporting provided. The interviews with the donors reveal that they receive sufficient information about the FTF and the operations it finances, on a regular basis, either when requested to approve

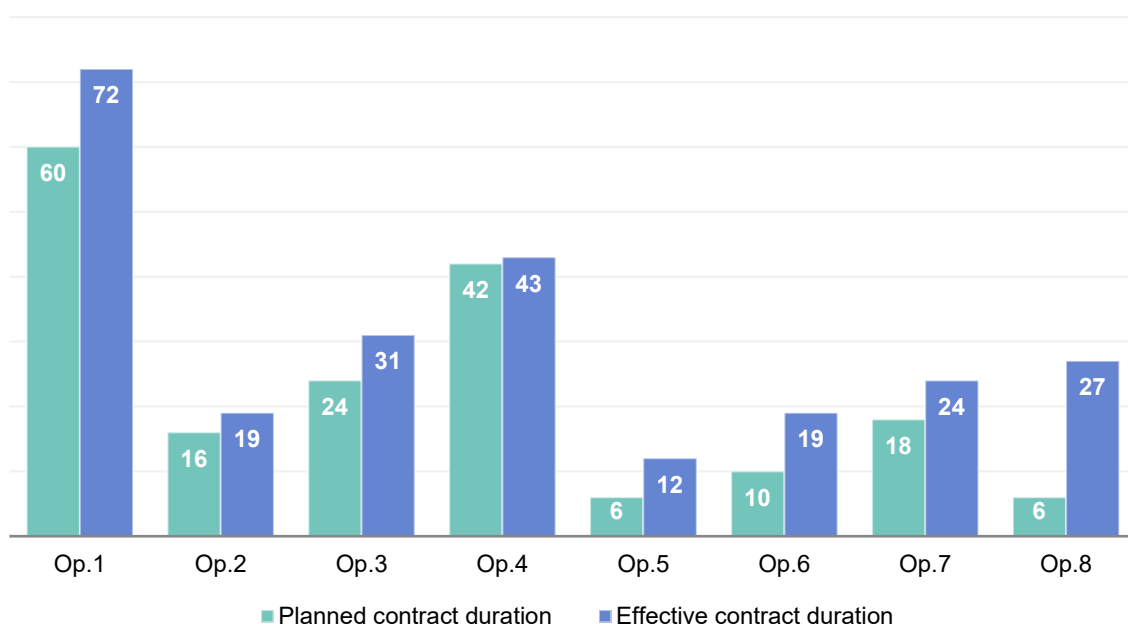
²⁷ Available at: <https://www.eib.org/en/publications/evaluation-of-the-eastern-partnership-technical-assistance-trust-fund>

operations (in writing or orally), during the Assembly of Donors meetings or through the Fund’s annual reports. Donors also pointed out that the current FTF management team is proactive in terms of communication and available to provide clarifications and additional information when asked to do so. In isolated cases, donors pointed out specific additional details that they would appreciate receiving, for example the number of companies from their own countries applying for FTF technical assistance contracts and their rate of successful bids. However, the main information gap identified by donors is a perceived absence of clarity on how the FTF fits with other instruments available to the EIB to support the region.

Management of the FTF’s underlying operations remains improvable

The implementation of operations took longer than planned. All technical assistance operations reviewed as part of the case studies took longer than planned. All contracts were extended by several months because of slippages during implementation, as shown in Figure 6. This generates much administrative work both the EIB and the service providers.

Figure 6: Planned vs. actual duration of the FTF technical assistance operations²⁸ included in the case studies (# of months)



Source: Evaluation team, based, on EIB data

The lengthy implementation often reflects the challenges of working in difficult and unstable environments. The FTF’s operations have been implemented in difficult environments. The region has had its fair share of socio-economic and political upheaval in the past 15 years. This left its administrative capacity strained, sometimes unable to engage with the EIB’s technical assistance (for example due to frequent changes in assigned counterparts,), sometimes reluctant to do so (for instance providing necessary inputs in a timely fashion) and sometimes caught in its own political impasses (such as in the case of competing projects from various ministries).

The speed of implementation of technical assistance linked to projects was also dependent on the success of coordination efforts between various financing institutions. Given their relatively small budget, many FTF technical assistance operations were implemented alongside other technical

²⁸ OP = technical assistance operation.

assistance operations financed by other donors. This has often resulted in further delays as the various technical assistance projects could not always be synchronised and outputs were sometimes of uneven quality.

The speed and quality of project implementation also depended on the ability of EIB staff to remain closely involved. Interviews with various parties (technical assistance providers, beneficiaries, and Bank staff) confirmed that the technical officers in charge of technical assistance operations can and do keep track and can therefore report confidently on the level of progress of these assignments. This is evident from the progress report paragraphs included in every FTF annual report, as well as from the interviews held in connection with this evaluation. However, EIB staff cannot always remain as involved as they wish in the management of technical assistance operations, including in the case of some operations that could benefit from early corrective measures. The limited number of EIB staff in the field as well as high workloads and competing priorities don't always allow for full hands-on involvement. As a result, the knowledge of what is at stake for the different parties is sometimes partial, as is the ability to rapidly intervene to address issues as they arise. All these issues, some conjectural and some structural, are common to many EIB technical assistance projects, and have already been pointed out in previous independent evaluations²⁹.

Lastly, insufficient attention is given to tracking results beyond immediate project outputs and capitalising on them. For the upstream studies, information is scant on the extent to which these studies have been used and the benefits they have generated. While the completion notes outline the lessons learned and recommendations made by these studies, there was generally limited information on how they were received and the extent to which their recommendations were taken up. Even in the case of technical assistance aimed at making projects bankable, the situation is not fully clear. The FTF database indicates 16 EIB projects which were facilitated by technical assistance financed from the FTF. However, by closely reviewing a wide range of operation-level documents (including the FTF annual reports), the evaluation team identified 24 EIB lending operations which have benefited from FTF technical assistance. The capacity-building programmes (internship and secondment) did not keep a comprehensive record of the satisfaction of the interns/secondees or that of EIB units involved. Furthermore, the evaluation found no evidence that the Bank has monitored the extent to which these programmes contributed to capacity development in the region.

²⁹ Evaluation of the Eastern Partnership Technical Assistance Trust Fund (2010-2019) (eib.org); Ex-post evaluation of EIB Technical Assistance Outside the EU, 2003-2013.

5. Conclusions

The FTF was and continues to be a relevant instrument, providing the EIB with the means to facilitate the implementation of key investments in the FEMIP region. Socioeconomic changes have strained administrative capacity, hampering the MPCs' ability to prepare and implement projects. One of the means the EIB can use to address such weaknesses is the provision of technical assistance and capacity building support. While the FTF is not the only source of technical assistance funding available to the EIB, the alternative sources present several limitations. Firstly, they do not allow the financing of upstream studies and support. Secondly, these alternatives tend to have more complicated governance structures, making them slower to mobilise, which may in turn delay the implementation of the projects. Thirdly, the longer approval times make these alternatives less practical to finance smaller technical assistance operations. These elements strongly support the need for continuing the FTF.

The flexibility of the FTF was key to complement other sources of funding. The FTF was implemented alongside other sources of funding which have evolved over time. The flexibility of the FTF enabled the Bank to use it to fill gaps in the funding available for various forms of technical assistance. The FTF's focus has evolved over time, with fewer upstream studies and support and more technical assistance directly connected to projects, reflecting the changes in the availability of other sources of funding.

All types of activities funded by the FTF are relevant considering the needs of the region, but the FTF is no longer the best tool for risk capital operations. Technical assistance linked to projects is needed to overcome bottlenecks in the preparation and implementation of projects. In the current context, where alternative sources for this type of support are limited, the FTF has an important role to play. Upstream studies are also important because they can help the EIB and the MPCs understand needs and define priorities and options for support. The FTF was and remains unique in its ability to finance this type of analyses. Capacity building programmes (especially the secondment programme) can help to strengthen the capacities of the authorities in the region. Finally, risk capital operations address a clear need in the region. However, while the FTF was an appropriate source to finance the piloting of a few innovative, small scale risk capital operations in the region, it is not suitable to scale up this type of activities, which often require large amounts, especially if they are to significantly address the limited access to finance in the region.

The FTF delivered clear results, particularly through the technical assistance linked to projects, which facilitated the implementation of 24 projects financed by the EIB. Although this implementation has not always gone according to plan, often experiencing significant delays, the FTF has made a clear contribution. Upstream studies facilitated the EIB's policy dialogue with the counterparts in the region and with other financiers, although their end use at country level has not been properly documented and is therefore difficult to assess. Risk capital operations, though few and small, have made a contribution (proportional to their size) to increasing access to finance. The secondment and internship programmes were well received by both the EIB and the participants but could have benefited from clearer guidance and better results monitoring.

Overall, the FTF has been well managed but some of its technical assistance operations could have been managed more closely. Management at fund level was good with a swift approval of the operations and good quality reporting. The fund managers provided clear guidance which was highly valued by the EIB staff and resulted in a complementary use of the FTF. The communication with the donors was also good. However, the EIB staff cannot always remain as involved as they would like in the management of technical assistance operations, including in the case of some operations that could benefit from early corrective measures. The limited number of EIB staff in the field as well as high workloads and competing priorities don't always allow for full hands-on involvement. As a result, the knowledge of what's at stake for the different parties is sometimes partial, as is the ability to rapidly intervene to address issues as they arise.

6. Recommendations

The EIB should define more explicitly the types of activities it intends to prioritise during each programming period. The flexibility of the FTF was key to adapt to evolving needs and priorities in the region and to complementing other sources of finance available to the EIB. The Bank is therefore encouraged to maintain the in-built flexibility of the FTF in terms of type of assistance financed, targeted sectors and countries. At the same time, the Bank is encouraged to define more explicitly the type of activities it envisages to prioritise for the respective period, based on a regular reassessment of what type of FTF operations (technical assistance linked to projects, upstream studies, capacity building programmes, etc.) make the biggest difference. The 2021 – 2025 Strategic Orientations point out the priority policy areas the FTF will focus on but do not provide an indication of the types of activities which will be prioritised. Yet, the evaluation found that there has already been a de facto prioritisation of the TA linked to projects, and no risk capital operation were approved in the past 5 years. The Bank is therefore encouraged to be more explicit about these choices. Making clear, on a regular basis, which types of activities will be predominantly used in a period – taking into account needs, policy orientations, alternative sources of funding etc. – will likely also help address the donors need for more clarity on the complementarity and value of the FTF.

The EIB should carry out an analysis of the bottlenecks affecting the implementation of technical assistance operations in the FEMIP region and put in place a plan to address the most critical ones over which it has control. The implementation of the FTF technical assistance operations experienced important delays. Most of these delays were linked to factors that were outside the EIB's control (such as the political instability of the countries of the FEMIP region or the COVID-19 pandemic). However, some of the delays are also due to factors that the EIB can control. As highlighted in interviews, EIB staff cannot always remain as involved as they would like in the management of technical assistance operations, including in the case of some operations that could benefit from early corrective measures. The limited number of EIB staff in the field as well as high workloads and competing priorities don't always allow for full hands-on involvement. As a result, the knowledge of what's at stake for the different parties is sometimes partial, as is the ability to rapidly intervene to address issues as they arise.

The EIB should provide strategic guidance for the implementation of the internship and secondment programmes if further implementation cycles are envisaged. The programmes aimed to contribute to capacity building in the MPCs. However, they did not identify what capacity needs to be developed and how the FTF activities could contribute to this. Subsequently the selection of the trainees/ secondees was not driven by criteria relating to the development of specific capacities and no guidance was provided to the EIB services to ensure clarity on how the traineeships/ secondments were expected to contribute to capacity building. Monitoring of the programme's overall results was also limited.

The Evaluation Division of the EIB Group

The Evaluation Division of the EIB Group conducts independent evaluations of the EIB Group's activities. It assesses the relevance and performance of these activities in relation to their objectives and the evolving operating environment. It also helps the EIB Group draw lessons on how to continuously improve its work, thereby contributing to a culture of learning and evidence-based decision-making.

Evaluation reports are available from the EIB website: <http://www.eib.org/evaluation>

EIB GROUP EVALUATION




Evaluation of the FEMIP Trust Fund

From 2004 to 2022



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