

ABBREVIATIONS AND ACRONYMS

3PA	Three Pillar Assessment
BoD or Board	EIB's Board of Directors
CF	Cohesion Fund
DG REGIO	Directorate-General for Regional and Urban Policy of the European Commission
EAFRD	European Agricultural Fund for Rural Development
EC	European Commission
ECA	European Court of Auditors
EFSI	European Fund for Strategic Investments
EIB (or the Bank)	European Investment Bank
EIB Group	European Investment Bank and European Investment Fund
EMFF	European Maritime and Fisheries Fund
ERDF	European Regional Development Fund
ESIFs	European Structural and Investment Funds
ESF	European Social Fund
EU	European Union
EV	Operations Evaluation Division of the European Investment Bank
IFI	International Financial Institutions
Jasmine	Joint Action to Support Micro-finance Institutions in Europe
Jaspers	Joint Assistance to Support Projects in European Regions
Jeremie	Joint European Resources for Micro to Medium Enterprises
Jessica	Joint European Support for Sustainable Investment in City Areas
MA	Managing Authority
MC	Management Committee of the European Investment Bank
MFF	Multi-annual Financial Framework
NSRF	National Strategic Reference Framework
OP	Operational Programme
PIU	Project Implementation Unit
PJ	Projects Directorate of the European Investment Bank
SPL	Structural Programme Loan
TA	Technical Assistance

KEY TERMS

3PA	The three pillar framework for assessing the projects to be financed by the EIB in the EU28. The three pillars comprise: (i) contribution to EU policy, (ii) quality and soundness of the project and (iii) EIB technical and financial contribution. The pillars are also complemented by indicators.
Allocation	A financial amount credited by the EIB to a borrower that relays the equivalent amount paid to the final beneficiaries of eligible projects deployed under an OP.
Approval	Event upon which the EIB approves a financing operation.
Audit Authority	The entity designated for each OP and responsible for verifying the effective functioning of the management and control system; it also monitors project compliance with national and European regulations.
Borrower	The counterpart directly receiving EIB loans.
Cancelled before signature	Event upon which an operation is cancelled prior to the EIB signing a finance contract with the prospective borrower.
Cancelled after signature	Event upon which an operation is cancelled after the EIB has signed a finance contract with the borrower.
Certifying Authority	The entity responsible for guaranteeing the accuracy and probity of statements of expenditure and requests for payments before they are sent to the EC.
CF	The Cohesion Fund is an European Structural [and Investment] Fund that supports transport and environment projects in countries where the gross national income (GNI) per inhabitant is less than 90% of the EU average.
Co-financing rate	Refers to the contribution EU funding makes to a programme. It is expressed as a percentage of the total programme cost. Co-financing is usually subject to a maximum threshold, which is defined as a percentage of the total value of the programme, or part thereof. The EC specifies co-financing rates for each OP.
Cohesion Policy	The EU's strategy to promote and support the overall harmonious development of its Member States and regions.
Disbursement	Event upon which the EIB pays, in one or several tranches, the funds to the borrower.
EAFRD	The European Agricultural Fund for Rural Development is the European Structural [and Investment] Fund focused on resolving the particular challenges facing the EU's rural areas.
EMFF	The European Maritime and Fisheries Fund is the European Structural and Investment Fund that helps fishermen to adopt sustainable fishing practices and coastal communities to diversify their economies, improving quality of life along European coasts.
ERDF	The European Regional Development Fund is the European Structural [and Investment] Fund promoting balanced development in the different regions of the EU.
ESF	The European Social Fund is the European Structural [and Investment] Fund that supports employment-related projects throughout Europe and invests in Europe's human capital.
European Structural Funds	The Funds providing EU Cohesion Policy financing for the 2007-13 programming period.

European Structural and Investment Funds	The Funds that provided EU Cohesion Policy financing for the 2014-20 programming period, which have an investment component.
European Structural [and Investment] Funds	Refers simultaneously to the European Structural Funds for the 2007-13 programming period, and the European Structural and Investment Funds for the 2014-20 programming period.
fi-compass	Platform for advisory services on Financial Instruments under the European Structural and Investment Funds, and microfinance under the Programme for Employment and Social Innovation.
Final beneficiary	The counterpart benefitting from EIB financing and responsible for the physical implementation of the projects. The new ESIF regulations refer to only “beneficiaries”.
Financial Instruments	A measure of financial support provided on a complementary basis from the EU’s budget to address one or more specific policy objectives. Such instruments may take the form of equity or quasi-equity investments, loans or guarantees, or other risk-sharing instruments, and may, where appropriate, be combined with grants.
Intermediate Body	Any entity that acts under the responsibility of a managing or certifying authority, or which carries out duties on behalf of such an authority, in relation to beneficiaries implementing operations.
Investment Programme	A multi-project investment with a feature of commonality (e.g. the promoter, the objective or the sector).
Jasmine	An EC initiative developed jointly with the EIB and the EIF that aims to provide both technical assistance and financial support to non-bank micro-credit providers in order to help them: improve the quality of their operations; expand; and become sustainable.
Jaspers	An EC technical assistance facility developed jointly with the EIB supporting Member States and Accession Countries in their preparation of high quality major projects which will be co-financed by EU Structural [and Investment] Funds.
Jeremie	An EC initiative, developed jointly with the EIF, which promotes the use of Financial Instruments to improve access to finance for SMEs through the use of European Structural Funds.
Jessica	An EC initiative, developed jointly with the EIB and the Council of Europe Development Bank, which supports sustainable urban development and regeneration through Financial Instruments.
Major project	As defined within Article 100 of the Common Provisions Regulation: an operation comprising a series of works, activities or services intended in itself to accomplish an indivisible task of a precise economic or technical nature, which has clearly identified goals and whose total eligible cost exceeds EUR 50 m. In the case of operations contributing to the promotion of sustainable transport and the removal of bottlenecks in key network infrastructures, the total eligible cost should exceed EUR 75 m.
Managing Authority	The entity responsible for the efficient management and implementation of an Operational Programme (OP).

Monitoring Committee	A committee comprising regional, economic and social partners appointed by Member States and chaired by the relevant Member State (or managing authority). The mission of a monitoring committee is to check that Operational Programmes (OPs), which use European Structural [and Investment] funding, are being correctly implemented. A monitoring committee's key tasks include: assessing the effectiveness and quality of OPs; approving criteria for financing under each OP; making periodical reviews of OPs and their progress towards specific targets; examining the results of implementation to assess whether those targets have been met; where necessary, proposing revisions to OPs, including changes related to their financial management.
Multiannual Financial Framework	The framework that establishes the spending priorities and maximum amounts that the EU may spend in particular areas over a fixed period of several years.
N+2 or N+3 rule	EU Cohesion Policy allocations by Member States are divided into annual amounts which must be spent within two or three years, depending on the country. This rule is known as the N+2 or N+3 rule, with N being the start year when the money is allocated. Any of the annual amount which is not claimed by the Member State within that period, is automatically deducted from their allocation and goes back into the overall EU budget. As such, for the 2007-13 programming period, if a country applies the N+2 rule, its final deadline for using budgetary allocations is 2015 (i.e. 2013+2); while for the N+3 rule, the final deadline would be 2016 (i.e. 2013 + 3).
NSRF	The National Strategic Reference Framework is the reference document for the programming of European Structural Funds at national level for the 2007-13 programming period.
Operation	The set of activities by which the EIB provides finance for investment in “projects” conducted by a third party for a specific purpose that can be direct or indirect, tangible or intangible and with a limitation in time.
Operation “caduque”	Event upon which the EIB’s Board of Directors’ approval to finance an operation lapses if no contract is signed with the borrower within a given period of time.
Operational Programme	Operational Programmes (Ops) are detailed multi-annual plans in which the Member States set out how money from the European Structural [and Investment] Funds will be spent during the programming period.
Partnership Agreement	A reference document produced by each Member State, in cooperation with the EC, for the 2014-20 programming period. The document programmes interventions from the European Structural and Investment Funds and links them to the aims of the Europe 2020 growth strategy.
PIU	The Project Implementation Unit created within the Borrower to manage a SPL operation and, on a case by case, to also manage European Structural [and Investment] Funds.
Programming period	The seven year period during which OPs are implemented.
Promoter	The counterpart responsible for the management and implementation of the investment programme falling within an OP(s) covered by the SPL. The promoter is typically a coordination function within a Ministry of the Member State (or regional equivalent) which provides the EIB with information on the implementation of an SPL operation and the underlying projects that it supports. The promoter often also undertakes the role of a Managing Authority.

Project	A financial intervention in line with the directives laid down by the EIB Board of Governors under Article 7.2 of the EIB Statute, for a specific purpose that can be direct or indirect, tangible or intangible and with a limitation in time. In the case of SPLs, projects are managed and implemented by promoters, and sub-projects/schemes are implemented by final beneficiaries. For the sake of this report, projects will be used as the term to describe projects, as well as sub-projects/schemes.
Reimbursement	Event upon which the borrower repays the EIB, thereby reducing the EIB's disbursed exposure to the borrower.
Shared management	There are two main types of EU funding: funds which are managed centrally and directly by the European Commission, and funds whose management is shared between the EU and the Member States. For funds in 'shared management', the Commission currently entrusts the Member States with implementing programmes at national level.
Signature	Event upon which the EIB signs a finance contract.

EXECUTIVE SUMMARY

The EIB's Structural Programme Loan (SPL) is a financial product that aims to support EU Cohesion Policy. It finances part of the national or regional co-financing obligations for Operational Programmes (OPs), which set out how European Structural [and Investment] Funds should be spent during the 2007-13 and 2014-20 programming periods.

The EIB's SPL product aims to secure the national or regional co-financing obligations under OPs by providing financing at terms that are more favourable to those the borrower could otherwise obtain. By doing so, it is expected that SPLs allow promoters to kick-start, accelerate or bring back on track the implementation of their OPs; thereby making a timely contribution to EU Cohesion Policy objectives.

The EIB may also offer Technical Assistance as a component of the SPL, in order to support the development of a broader and higher quality pipeline of projects, or overcome any of the promoter's shortcomings in terms of managing and implementing the SPL.

This evaluation assesses the relevance and performance of the EIB's SPL operations implemented during the period 2007-2016 and their blending with EU grants, with a view to contributing to the achievement of EU Cohesion Policy objectives during the 2007-13 and 2014-20 programming periods. The evaluation draws on a wide variety of sources, including: (i) a portfolio review of SPL operations, (ii) an analysis of selected SPL operations that have been subject to either individual evaluations or phone interviews, and (iii) a literature review and strategic interviews in relation to blending SPLs with European Structural [and Investment] Funds.

The EIB's portfolio of SPL operations

Over the period covered by this evaluation, the EIB approved 66 SPL operations for a total volume amount of EUR 38.87 bn. These operations contribute to supporting programmes with a total investment cost of circa EUR 407.5 bn. As such, SPLs make a sizeable contribution

(≈10%) to the total cost of the investment programmes that they support, and tend to cover a major share of the co-financing obligations of EU Member States or regions.

Of the 66 approved operations, 38 relate to the 2007-13 programming period, and account for EUR 21.74 bn in approved EIB financing. These operations have advanced far along their project cycle, both in terms of signatures (EUR 20.59 bn) and disbursements (EUR 17.22 bn).

The 28 operations that relate to the 2014-20 programming period account for EUR 17.13 bn of approved EIB financing, EUR 9.73 bn of signatures, and EUR 3.84 bn of disbursements. The lower volumes of approvals, signatures and disbursements for operations for the current programming period can be explained by:

- The late conclusion of the EU's 2014-20 MFF negotiations having a knock-on effect on the adoption and implementation of Partnership Agreements, OPs and, ultimately, SPLs.
- Until the end of 2016, greater emphasis being placed on utilising SPLs relating to the 2007-13 programming period (in accordance with the N+2 or N+3 rule, see Key terms). Only thereafter was priority given to utilising SPLs relating to the 2014-20 programming period.
- Several prospective SPL operations for the 2014-20 programming period currently undergoing appraisal. Subject to their approval, the volume of signatures and disbursements will likely increase at a later stage in the programming period.

In terms of geographical coverage, the EIB's SPL product has reached out to 18 EU Member States. In volume terms, the Member States in which the EIB has engaged the most are Hungary, Poland, Greece and Slovakia.

The sample of individually evaluated operations

15 SPL operations implemented in six EU Member States (Croatia, Estonia, Greece, Hungary, Poland and Spain) were selected for in-depth evaluations. Of these, only the nine operations relating to the 2007-13 programming period were rated, as it was too early to assess the

performance of the operations relating to the 2014-20 programming period.

The rationale for selecting this sample of operations was not to draw conclusions about the entire population of SPLs but rather to (i) be illustrative, by providing in-depth narratives that complement the quantitative data at the portfolio-level; and (ii) be exploratory, by providing examples whereby an operation has had a unique experience that is of particular interest to the thematic evaluation.

The overall performance for most SPL operations was “satisfactory”, and two operations were rated “excellent”. As illustrated in Figure 1, the nine individually evaluated operations scored well in terms of their:

- **Relevance**, as the projects supported by the SPLs were consistent with OP and EU Cohesion Policy objectives, and the design of the product allowed borrowers to respect their co-financing obligations alongside European Structural Funds, especially in countries markedly affected by the recent global financial and economic crisis.
- **Effectiveness**, as SPL operations have had a decisive effect in kick-starting large investment plans and programme-based plans, and allowed projects to be deployed at a faster pace, thereby contributing to the achievement of OP objectives.
- **Efficiency**, as all rated operations covered the costs borne by the EIB, however, one SPL operation was partially prepaid by the borrower. The benefits derived from SPL operations by borrowers and promoters consistently

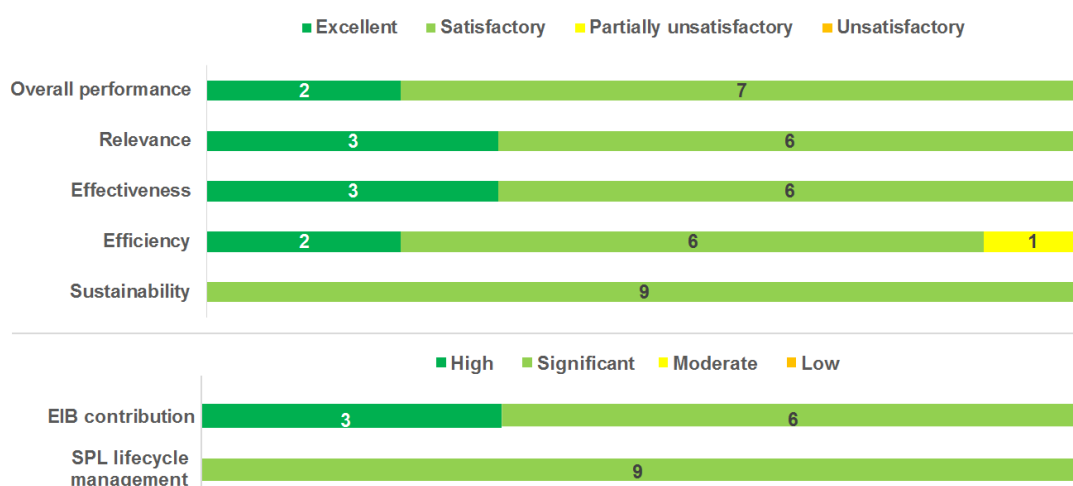
outweighed the administrative costs of managing and implementing the operation. In addition, the EIB’s deferred appraisal process has proven adequate for investment programmes supported by SPLs, as information on underlying projects is often insufficient at the time of operation approval.

- **Sustainability**, as provisions for monitoring the durability of projects are clearly defined both at the level of OPs, and in EIB finance contracts. Lastly, the final beneficiaries visited within the context of this evaluation have applied adequate procedures for implementing their projects, and have mobilised resources for their maintenance.

Further to this, the Bank’s contribution to the overall performance of evaluated SPL operations was especially high for operations in Member States that were most affected by the crisis. Yet, in the context of the EU’s economic recovery, the financial advantage of engaging with the EIB has diminished in terms of interest rates offered, but remains significant in terms of maturity profiles. The EIB’s management of the operations’ lifecycle contributed to their performance in a “significant” manner, as there has been good cooperation between the Bank and its counterparts; especially for the operation in Greece for which the Bank provided Technical Assistance.

Building on the findings deriving from the individually evaluated operations, the portfolio analysis and a review of strategic and operational information, **this evaluation has drawn six conclusions and proposes six recommendations that are presented hereunder.**

Figure 1 - Ratings for the individually evaluated SPL operations, by evaluation criterion



Source: EV

A relevant product with scope for increased support for national co-financing

SPL operations have allowed the EIB to facilitate the financing of investment programmes under EU Cohesion Policy, an EIB “task” as defined by the Treaty on the Functioning of the EU. The Bank has done so by co-financing projects in a variety of sectors and contexts that would otherwise not have accessed EIB financing.

Since 1994, the EIB’s policy has been to apply a “cumul rule” that limits the aggregated contribution of the European Structural [and Investment] Funds and the Bank to either 90% for regions classified by the EC as less developed, transition or under transitory measures, or 70% for developed regions. By applying this rule, the EIB has sought to: (i) ensure a certain level of counterpart ownership and responsibility in the management and implementation of SPLs; and (ii) encourage an increase in the fiscal capacity of national or regional borrowers.

However, the application of the cumul rule has restricted the extent to which the EIB can support the Member State or region’s co-financing obligations for their respective investment programme, hence decreasing the capacity of Member States or regions to fully mobilise the European Structural [and Investment] Funds available to them.

Recommendation: In order to further contribute to the achievement of EU Cohesion Policy objectives by supporting national or regional co-financing obligations, the EIB should consider the pros and cons of applying the cumul rule to SPL operations, taking into consideration the borrower (whether a Member State or region) and their economic, financial, legal and regulatory environment.

Limited risk mitigation for promoters with insufficient capacity

As the EIB’s business model is not suitable for directly intervening in the appraisal of thousands of small projects, the Bank foregoes a centralised approach that would inevitably lead to bottlenecks, in favour of a delegated approach. **In the past, the Bank has been deterred from delegating tasks to promoters with insufficient capacity.**

But, more recently, the Bank has provided Technical Assistance within one SPL operation in Greece, and has applied risk mitigation measures to varying degrees for promoters with insufficient capacity. As such, risks identified by the EIB in relation to promoter capacity have not been systematically mitigated, whether through Technical Assistance or other measures. Looking ahead, the recently approved update of procedures applicable to SPLs lay down a clearer approach for assessing promoter capacity and determining the degree to which tasks are delegated to them.

Recommendation: More consideration is needed for building the capacity of weak promoters in view of the sound management and implementation of SPL operations. Risks posed by insufficient promoter capacity in these areas should be identified at appraisal stage and should lead to the Bank defining and implementing appropriate mitigation measures, such as the provision of bespoke Technical Assistance and advisory support, subject to the availability of additional financial resources.

Room for manoeuvre in the administrative and reporting requirements for larger projects

SPLs can be used to support projects of all sizes. In the case of large projects, this evaluation deems that the EIB’s additional level of scrutiny is justified to mitigate the risk of financing unsustainable projects. However, **for mid-sized projects (total investment cost between EUR 25 m and EUR 50 m) the EIB’s appraisal and monitoring procedures are resulting in additional administration requirements for EIB counterparts**, diminishing the benefits deriving from the use of SPLs to finance such projects.

The evaluation acknowledges the work being undertaken by EIB Services in developing procedures for assessing the extent to which the Bank may reduce appraisal and monitoring requirements on the basis of promoter capacity. Further to this, administrative costs may be reduced by harmonising EIB and EC reporting requirements for mid-sized projects for which the EIB requires specific data, while the EC does not.

Recommendation: Providing promoters have demonstrated a high-level of capacity at appraisal stage, the Bank should consider reducing the SPL's administrative requirements by, wherever possible, seeking to align project size definitions and their corresponding reporting requirements, with those of the EC. This would imply a reduction in the information requirements of the Bank for mid-sized projects.

Scope for improving the monitoring of SPL operations

The EIB's adequate monitoring of the progress of some OPs and projects has proven challenging, as the evaluation found that:

- The EIB has an approach for budgeting a standard amount of internal human resources for monitoring SPLs, which proved insufficient when promoters lacked capacity to comply with EIB requirements or when mid-sized and large projects were submitted for allocation.
- Projects supported by an SPL operation that are not included in an OP were not subject to the same monitoring and control requirements as those falling within an OP. Instead, these projects should be subject to standard Framework Loans procedures.
- SPL operations allow the re-financing of a set of projects, providing they were not substantially completed when the allocation request was submitted to the EIB. However, the definition of "not substantially completed projects" is left to the discretion of EIB Services. As such, risks relating to the late-financing of substantially completed projects by SPLs are not mitigated in a consistent manner.
- The EIB's data management systems do not always provide an accurate and timely reflection of the extent of SPL implementation, as allocation data was not systematically updated upon the dispatch of the corresponding allocation letter.
- Lastly, the coordination and exchange of information between the EIB, the EC and Member States for SPL operations is often limited to the procedure relating to Article 19 of the EIB's Statute, as the Bank's participation in Monitoring Committee meetings has thus far proven limited.

Recommendation: The monitoring of SPL operations should be improved by: (i) mobilising EIB human resources on the basis of promoter capacity and the composition of the investment programme; (ii) applying Framework Loan procedures to projects that are not included within OP(s); (iii) mitigating the risk of late-financing; (iv) ensuring the timely recording of allocations in EIB systems; and (v) proactively coordinating and cooperating with the EC to the extent possible.

Low EIB visibility through SPLs, especially for flagship projects

The visibility of the EIB as a financier of OPs through SPLs only endures for a few stakeholders following contract signature (borrowers, the promoters implementing programmes, and entities responsible for the physical implementation of large projects). For other financiers and the general public, the EIB's visibility is restricted to communication, if any, at the date of the signature of the SPL.

Nevertheless, this evaluation recognises the effort made by the Bank in increasing the awareness of the SPL product at the level of EU institutions. This has been exemplified by the Bank's contributions to the SPLs factsheet and the recently published Seventh Report on economic, social and territorial cohesion.

Recommendation: Consider the pros and cons of increasing the visibility of the EIB and of SPL operations co-financing large flagship projects. The EIB should assess the possibility of aligning its visibility requirements with the EC's information and communication rules for EU Cohesion Policy.

The SPL product post-2020

In a scenario in which (i) EU Cohesion Policy remains a significant component within the EU budget for the next Multiannual Financial Framework, (ii) national co-financing obligations increase; and (iii) grants decline in volume while Financial Instruments increase in volume, **the SPL product will remain relevant post-2020.**

Lastly, it must be noted that SPLs have rarely been used to support national co-financing obligations relating to OPs under the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF). Similarly, cross-border cooperation programmes have rarely benefited from the EIB's SPL product.

Recommendation: For the post-2020 Multiannual Financial Framework, the Bank should: (i) communicate that SPLs are a suitable product for supporting national co-financing obligations under EU Cohesion Policy; (ii) assess the implications of increased demand for SPLs in order to support higher national co-financing obligations; (iii) increase SPL support to Financial Instruments wherever possible; and (iv) assess the possibility of increasingly blending SPLs with Rural Development, Maritime and Fisheries, and cross-border cooperation funds.

MANAGEMENT RESPONSE

The support for Cohesion regions is deeply embedded in the DNA of the EIB and enshrined in our Statute since the foundation 60 years ago. Article 309 of the Lisbon treaty stresses that the Bank should continue to facilitate the financing of projects for developing Cohesion Regions.

In this context, the Management Committee appreciates the overall positive conclusions on the performance of Structural Programme Loans (SPL) highlighting the instruments' importance and flexibility to implement Cohesion Policy on the ground. The Management Committee also welcomes the specific findings and positive conclusions on the relevance, effectiveness, efficiency and sustainability of the SPL operations. They further exemplify the value added of the EIB, its management for the operations' performance as well as a good cooperation between the Bank and its counterparts.

While the importance of a possible review of the cumul rule for SPLs is acknowledged, such reassessment would be more appropriate once the new architecture of post-2020 MFF is decided.

The Management Committee also appreciates the recognition of the work done to streamline the Framework Loan procedures to increase the efficiency of SPLs and considers that these new internal procedures already duly implement certain recommendations (in particular recommendations 2, 3 and partly 4). In particular, it ought to be noted that the capacity assessment plays a central role in the appraisal of FLs and sets the scene for, among others, the improved staff resource efficiency, identification of technical assistance, adequate information requirements.

The Management Committee confirms the commitment to further enhance already existing cooperation and coordination with the EC, which also depends on EC discretion. Furthermore, the Management Committee will consider the pros and cons of increasing the visibility of the EIB and of SPL operations co-financing large flagship projects through a dedicated communication plan. It is acknowledged that such enhanced visibility should not increase contractual obligations for EIB clients given the difference between grants and loans.

The Management Committee would however like to underline:

- that the existing portfolio of approved and signed SPLs will continue to support the Operational Programmes of the current programming period. The implementation of recommendations via the new FL procedures will only be demonstrated through new projects, which most of them will be appraised only when the new programming period starts i.e. from 2021 onwards. That means that progress on these recommendations should not be reasonably expected and recorded within the next 3 years, because the new FL procedures cannot be directly applied to the already signed SPL operations of the current programming period.
- that there is still a high level of uncertainty about the future shape and details of the EU Cohesion Policy and the ESIF. Therefore it is difficult from today's point of view to foresee what future SPLs in the post 2020 programming period will look like.

The main area for improvement that has been identified by Management in response to the EV Report is to ensure the timely recording of allocations in EIB systems.

The SPL instrument is clearly contributing to the achievement of EU Cohesion Policy objectives by pre-financing the national or regional share under ESIF Operational Programmes through providing loans at favourable terms. They have been in many cases an important enabler for the absorption of structural funds. In line with the Bank's lending, blending and advising strategy, the EIB also provides Technical Assistance to complement SPLs, in order to support the Member States in implementation of EU projects or in terms of managing and implementing SPLs. Looking ahead, it is possible that SPLs and related technical assistance will play a more important role in the post-2020 Multiannual Financial Framework (MFF), given the very likely significant increase of national or regional co-financing obligations.

1. INTRODUCTION

The EIB commonly refers to its main activities as lending, blending and advising. Blending – a distant second to lending in terms of the Bank’s financial commitments – is a financing instrument that combines products with different financial terms and characteristics (typically bringing together EIB loans with EU grants).

In its Work Programme for 2016-18¹, Operations Evaluation (EV) anticipated the launch of an evaluation of *selected* blending activities. In selecting the blending activities to be evaluated, EV took into account the need to:

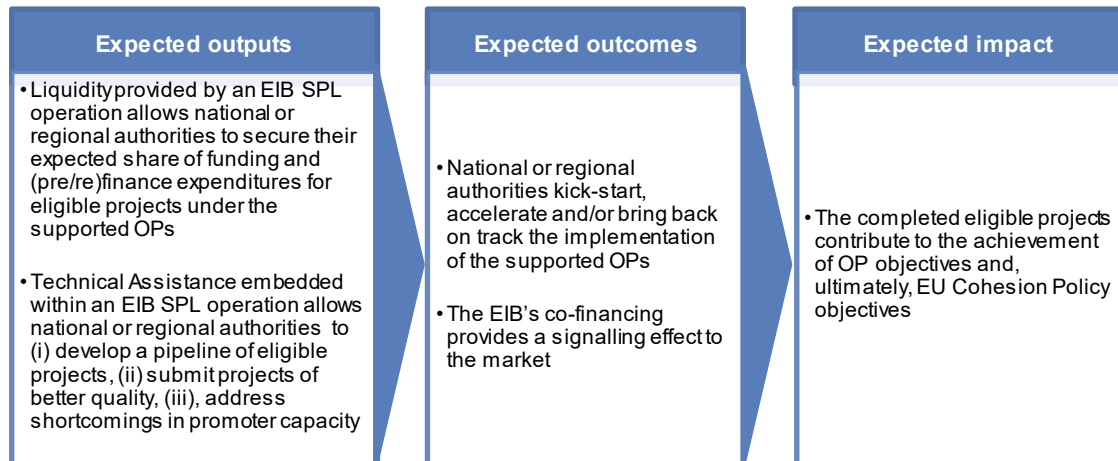
- Include blending activities within the EU, as recent external evaluations of blending have largely focused on EIB activities undertaken outside the EU^{2,3}. Approximately six years have passed since EV last assessed the EIB’s blending activities in the EU, in the context of its ex-post evaluation of Framework Loans⁴.
- Exclude blending mandates, as they fall within the scope of EV’s ongoing evaluation of mandates.

On this basis, EV undertook this evaluation of **Structural Programme Loans (SPLs)** and their contribution to EU Cohesion Policy for the period 2007-2016.

An SPL is a type of EIB Framework Loan that primarily (or entirely) supports the national co-financing of a set of projects within a Member State or region’s Operational Programme(s) (OP). OPs set out how the European Structural [and Investment] Funds will be spent during the 2007-13 and 2014-20 programming periods.

A simplified intervention logic of the SPL product is provided in Figure 2, and a more detailed version is provided in Annex 1.

Figure 2 - Simplified intervention logic of the SPL product



Source: Reconstructed by EV and EIB Services.

¹ Operations Evaluation. (2016). Activity report 2014-2015 and Work programme 2016-2018. Luxembourg: European Investment Bank.

² European Court of Auditors. (2014). Special Report: The effectiveness of blending regional investment facility grants with financial institution loans to support EU external policies. Luxembourg: European Court of Auditors.

³ ADE on behalf of the EC. (2016). Evaluation of Blending: Final Report: Volume I – Main Report.

⁴ Operations Evaluation. (2012). Ex post evaluation of the use of Framework Loans to finance EIB investments in the EU, 2000-2011: Synthesis Report. Luxembourg: European Investment Bank. A Framework Loan is an EIB instrument for financing multi-component investments where, due to incomplete information being available at the appraisal stage, decisions concerning the financing of specific schemes have to be taken after approval of the overall operation by the EIB Board.

1.1 Objectives

The objectives of this evaluation are threefold as it aims to:

- Assess the relevance of EIB's SPL product and the performance (effectiveness, efficiency and sustainability) of SPL operations during the 2007-13 and 2014-20 programming periods;
- Assess the extent to which SPL operations, blended with EU grants, ultimately allow the EIB to contribute to achieving EU Cohesion Policy objectives; and
- Identify lessons for improving the contribution of SPLs to EU Cohesion Policy for the remainder of the 2014-20 programming period, and provide input for the design and use of SPLs during the next programming period.

This evaluation aims to identify areas in which the EIB could improve its operational performance, and to hold the Bank accountable for past activities in this area. The intended users of this evaluation are primarily EIB Services offering and implementing SPL operations, EIB Services interacting with the European Commission (EC) in relation to EU Cohesion Policy, the EIB's Board of Directors and Management Committee, the EC itself, the borrowers engaging in SPLs (Ministries of Finance of Member States and regional equivalents) and the promoters responsible for managing and implementing the investment programmes supported by SPLs.

1.2 Scope

The central scope⁵ of this evaluation is as follows:

- The thematic scope concerns the SPL product and its operations, including technical assistance (TA) provided as a component of SPLs;
- The institutional scope covers the relationship between the EIB, EIB counterparts and the EC in the context of SPLs;
- The geographical scope is limited to the EU; and
- The temporal scope covers the period 2007-16, and therefore spans two programming periods (the 2007-13 programming period and the ongoing 2014-20 programming period).

The peripheral scope⁶ of this evaluation includes the OPs of EIB counterparts engaged in SPLs, as well as TA supporting SPLs but not provided as a component of the SPL. This is the case for TA provided under Jaspers and through other advisory services provided by the EIB Group, as well as TA and advice provided by third parties. The bilateral institutional relationship between the EC and EIB counterparts in the framework of OPs is also part of the peripheral scope.

1.3 Methodology

The evaluation's methodological framework aims to address the following aspects:

- The **relevance** of the design of SPLs (i) for allowing borrowers to respect their co-financing obligation under European Structural [and Investment] Funds, (ii) for enabling promoters to kick-start and accelerate the implementation of OPs, and (iii) for the EIB to facilitate the financing of investment programmes in conjunction with assistance from European Structural [and Investment] Funds.
- The **performance (effectiveness, efficiency and sustainability)** of SPLs, in terms of the extent to which: (i) they have made a difference in the magnitude and speed of implementation of OPs, and have contributed to the achievement of the objectives of OPs and, ultimately, EU Cohesion Policy objectives; (ii) the costs of offering, providing and

⁵ Central scope defines activities analysed and evaluated. The scoping exercise for this evaluation took into consideration: (i) EV's Terms of Reference, which focuses on evaluating EIB Group activities; (ii) the objective of this evaluation, which is to focus on the assessment of an EIB product, its underlying operations, and their contribution to achieving EU Cohesion Policy objectives; and (iii) the time and resource constraints of this evaluation.

⁶ Peripheral scope defines activities that interact with the SPLs evaluated and should therefore be acknowledged, but will not be evaluated in terms of their relevance or performance.

managing SPLs are commensurate to the benefits (financial and non-financial) realised by the EIB and its counterparts; and (iii) the effects of the SPL are likely to be sustained for the EIB, its counterparts and the projects themselves.

- The **EIB's contribution**, particularly in relation to the financial terms offered by the EIB, the technical added value it provides to small, mid-sized and large projects, and how this contribution has evolved from one programming period to another.
- The **future** of the SPL product, by reviewing how the deployment of SPLs may be improved and extended for the remainder of the 2014-20 programming period and beyond.

In order to address the aforementioned evaluation criteria, the evaluation combines: (i) a literature review and strategic interviews in relation to blending SPLs with EU Structural [and Investment] Funds with (ii) an analysis of selected SPLs operations that have been subject to either individual evaluations or phone interviews with relevant stakeholders. In doing so, and as illustrated in Figure 3, this evaluation has drawn on the following tools:

- **Preliminary interviews and workshops** with EIB Services in order to scope the evaluation and reconstruct the intervention logic of SPLs.
- An extensive **literature review** of documentation relating to EU Cohesion Policy and the EIB Group's role in supporting it.
- A **review of EIB databases** in order to: set the parameters for the portfolio of SPLs covered by this evaluation; identify the characteristics of the SPL portfolio; and facilitate the selection of a sample of SPLs that were subject to phone interviews and individual evaluation⁷. The sample comprised 15 Member States, of which nine were covered by phone interviews, and six were covered by individual evaluations (nine SPL operations were rated individually, see section 4).
- For the 15 sampled operations, a **review of individual SPL documentation** was undertaken in order to have an overview of the SPL lifecycle and relevant overarching documents, e.g. National Strategic Reference Frameworks, Partnership Agreements and OPs.
- **Interviews** whether by phone or in person, were undertaken with the EC, EIB Services and EIB counterparts for SPLs falling within the evaluation's sample.
- **Site visits**⁸ in the six Member States covered by individual evaluations were also carried out in order to collect data that was illustrative and explorative. Thirty projects co-financed by SPL operations were visited, which naturally offered more in-depth insight for this Thematic Evaluation Report, as compared to the phone interviews.

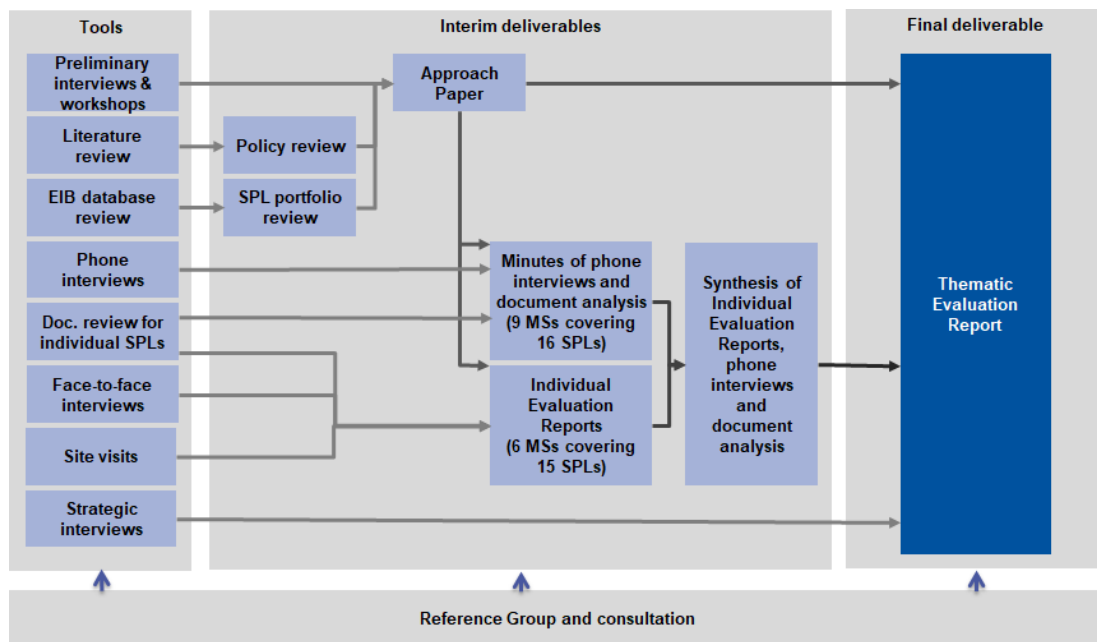
Each operation for the 2007-13 programming period that was subject to a site visit and evaluated individually has been rated against its relevance and performance (effectiveness, efficiency, sustainability) and against the EIB's role throughout the operation's lifecycle (EIB management of the operation lifecycle and EIB Contribution). A summary of the ratings obtained by these operations is provided in Figure 9 (page 25).

Lastly, the input provided by an inter-Directorate **Reference Group** at the EIB served as a horizontal component for this evaluation: providing ideas and commenting on the tools and deliverables relating to this evaluation; establishing and maintaining communication channels between EV and internal/external stakeholders; and coordinating consultations with EIB Services.

⁷ The SPL operations falling within the sample are highlighted in Annex 2, and the sampling approach is detailed in Section 4.

⁸ The site visits took place in six EU Member States: Croatia, Estonia, Greece, Hungary, Poland and Spain.

Figure 3 - Overview of this evaluation's methodology



Source: EV

1.4 Limitations

Aside from the evaluation's time and resource constraints, the methodological limitations that have had the greatest potential impact⁹ on the evaluation team's ability to effectively answer the key evaluation questions are provided in Table 1, and are accompanied by the corresponding mitigating actions.

Table 1 - Summary of evaluation limitations and mitigating actions

Limitation	Description	Mitigating action
Timing of the evaluation	The challenge of assessing the effects of SPLs for the 2007-13 programming period, as few of the SPLs have been completed.	In relation to the 2007-13 programming period, SPL operations selected by EV for phone interviews or site visits were preferably at least partially disbursed. Only projects supported by the SPLs that were considered as completed (as per EV's terms of reference) were subject to site visits.
	The challenge of assessing the effects of SPLs for the 2014-20 programming period, as few of the SPLs have been fully disbursed.	In relation to the 2014-20 programming period, SPLs were not rated but were reviewed in order to shed light on the main developments since the previous programming period.

⁹ Reference is made to potential impact as the degree to which different factors have affected the evaluation is unknown.

Limitation	Description	Mitigating action
Defining the portfolio of the evaluation	Inconsistent flagging of SPL operations in the EIB's database. This inconsistency may be tied to: <ul style="list-style-type: none"> • The nuances between SPLs and other types of Framework Loans (see Table 3 for further information); • The SPL flag not always being available on the EIB database (i.e. a legacy issue)¹⁰; and • The incorrect application of the flag since it was deployed. 	EV held meetings with EIB Services to discuss and confirm the portfolio of SPL operations.
Sampling for the evaluation	The sample of SPLs selected for individual evaluation and phone interviews is not representative of the entire population of SPLs. Similarly, the sample of individual projects selected within an SPL operation for site visits is not representative of the entire population of projects supported by the SPL in question.	The aim of the sample is to be illustrative but not statistically representative of the portfolio. As such, a purposive sampling approach was applied on the basis of a variety of criteria ¹¹ . In addition, sufficient coverage was sought as half of the fully or partially signed operations within the SPL portfolio were covered by either a site visit or a phone interview.
Assessing the contribution of SPLs to EU Cohesion Policy objectives	SPLs support the national co-financing of a set of projects within an investment programme supporting an OP(s). The extent to which the achievement of OPs' objectives can be attributed to an SPL is complex to determine from a methodological standpoint.	The evaluation deploys a contribution analysis, whereby SPLs are considered to have contributed – albeit to a non-quantifiable degree – to broader impacts at the level of OPs if the following three conditions are met: (i) the EIB has disbursed the loan, (ii) the projects co-financed have been completed and are financially and operationally sustainable, and (iii) existing evaluations of OPs confirm that they have achieved their expected objectives.

Source: EV

1.5 Structure of this report

The remainder of this report is structured as follows:

- Section 2 lays down the policy backdrop for this evaluation as it provides an overview of EU Cohesion Policy and its delivery system, as well as the EIB Group's role in EU Cohesion Policy;
- Section 3 describes the EIB's SPLs in terms of their expected effects and lifecycle, and provides an overview of the EIB's portfolio of SPL operations;
- Section 4 provides the main findings from the individual evaluation of a sample of SPL operations;
- Section 5 evaluates the relevance and financial contribution of SPLs;
- Section 6 evaluates the effectiveness and sustainability of SPLs;
- Section 7 evaluates the efficiency of SPLs and the EIB's lifecycle management of them;
- Section 8 details (i) the conclusions that draw on the findings of the evaluation, and (ii) the recommendations, which derive from the conclusions, and aim to improve the EIB's SPLs for the remainder of the 2014-20 programming period and beyond.

¹⁰ In order to improve the flagging of SPL operations, Services proposed that, going forward, SPLs should be classified in EIB systems as a "financing sub-type" for Framework Loans. This proposal, at the time of writing, has not yet been implemented.

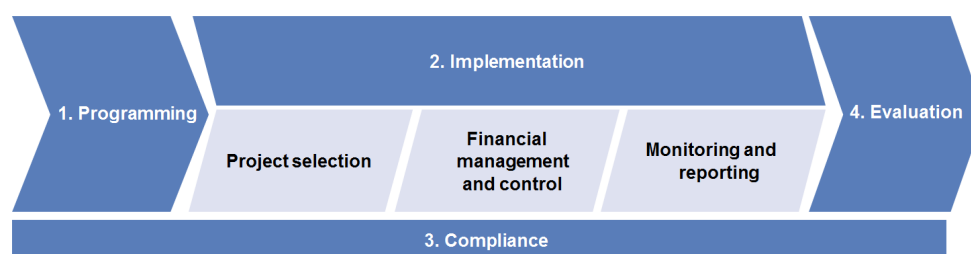
¹¹ The sampling approach and the SPLs falling within the sample are detailed in section 4.

2. EU COHESION POLICY AND ITS DELIVERY SYSTEM

EU Cohesion Policy¹² is an expression of solidarity between EU Member States, as it aims to reduce economic and social disparities across Member States and their regions. To fulfil this goal, the EU – for the last two multiannual financial frameworks (MFF) – has allocated approximately one third of its budget to regions qualifying for support under Cohesion Policy¹³, and seeks to use these financial resources to catalyse public and private funding, thereby increasing the impact of Cohesion Policy^{14,15}.

The delivery system for EU Cohesion Policy is the combination of legal requirements and procedures applicable to the effective and efficient investment of EU resources in this policy area¹⁶. This section provides further detail on the components comprising the delivery system for EU Cohesion Policy (see Figure 4) and the possible future of EU Cohesion Policy, before elaborating on the EIB Group's contribution to the delivery system and EU Cohesion Policy as a whole.

Figure 4 - Overview of the delivery system for EU Cohesion Policy



Source: EV

2.1 Programming

Programming aims to *inter alia* convert EU Cohesion Policy objectives into strategic priorities and indicative actions, appropriate financial allocations and adequate management and control systems. It is carried out by Member States and their regions in partnership with the EC; a system known as “shared management”.

The stages in the programming of Cohesion Policy are as follows¹⁷:

- The policy, budget and the rules for its use are jointly decided by the Council of the European Union and the European Parliament on the basis of a proposal from the EC;
- The principles and priorities of Cohesion Policy are distilled through a process of consultation between the EC and the Member States;
- The EC works with Member States as they formulate their strategic documents (National Strategic Reference Frameworks for the 2007-13 programming period and Partnership Agreements for the 2014-20 programming period). These strategic documents provide an overview of how Cohesion Policy budget commitments will be used in each Member State

¹² Often referred to as Regional Policy.

¹³ In terms of total commitment appropriations, EU Cohesion Policy accounted for EUR 348 bn of the EUR 976 bn budget for the 2007-13 MFF, and accounts for EUR 371 bn of the EUR 1,087 bn budget for the 2014-20 MFF (as of 31 January 2018).

¹⁴ EC. (2014). The European Union Explained: Regional Policy - Making Europe's regions and cities more competitive, fostering growth and creating jobs.

¹⁵ EC. (2016). Investing in regions and cities: EU Cohesion Policy 2014-2020.

¹⁶ KPMG and Prognos. (2016). Work Package 12: Delivery System – Final Report, Ex post evaluation of Cohesion Policy programmes 2007-2013, focusing on the ERDF, the ESF and the Cohesion Fund, p.43.

¹⁷ EC. (2014). The European Union Explained: Regional Policy - Making Europe's regions and cities more competitive, fostering growth and creating jobs.

during the respective programming periods. *“The EIB may, at the request of Member States, participate in the preparation of these strategic documents”*¹⁸;

- Member States present the EC with draft OPs breaking down objectives into areas for action. The EC negotiates with the national authorities on the final content of the strategic documents and each OP.

2.2 Implementation

OPs are detailed multi-annual plans in which the Member States set out how money from the European Structural [and Investment] Funds will be spent during a seven year programming period. They are implemented by the Member States and their regions, and follow these stages^{19,20,21}:

- Project selection - projects that contribute to the fulfilment of OP objectives are selected on the basis of defined criteria. This work falls under the responsibility of Managing Authorities (MAs) in each Member State and/or region. With regard to selecting projects: *“The EC may request the EIB to examine the technical quality, economic and financial sustainability, and the viability of major projects and to assist it as regards the Financial Instruments to be implemented or developed”*²²;
- Financial management – the EC commits funds in order to allow the Member States to start spending on their programmes. The EC then pays the certified expenditure to each Member State.
- Monitoring and reporting – the General Provisions Regulation for the 2007-13 programming period and the Common Provisions Regulation for the 2014-2020 programming period require annual reporting by the Member States and the EC on the implementation of the European Structural [and Investment] Funds, in order to measure whether implementation is on track and the expected effects are achieved. European Structural [and Investment] Funds annual summary reports are produced by the EC on the basis of the annual implementation reports submitted by the Member States. A Monitoring Committee is appointed by the Member States to check that each OP is being correctly implemented. The Monitoring Committee also approves and proposes to the EC changes in the OPs to adapt to the changing economic and social environment. As per the Common Provisions Regulation: *“If the EIB contributes to a programme, it may participate in the work of the monitoring committee in an advisory capacity”*²³.

2.3 Financial management, control, and compliance

The General Provisions Regulation for the 2007-13 programming period and the Common Provisions Regulation for the 2014-20 programming period laid down general principles for management and control systems for the European Structural [and Investment] Funds.

Under shared management, the Member States have primary responsibility for control of programme expenditure, while the EC supervises the proper set-up and operation of the control systems in the Member States. As the management and delivery of OPs is largely devolved to administrations at national and regional-levels, Member States must assure the EC that funds are spent effectively and in accordance with EU law.

¹⁸ Article 36 of Council Regulation (EC) No. 1083/2006, and Article 31 of Regulation (EC) No. 1303/2013.

¹⁹ EC. (2014). The European Union Explained: Regional Policy - Making Europe's regions and cities more competitive, fostering growth and creating jobs.

²⁰ Programming and implementation. Accessed on 31 January 2017.

²¹ KPMG and Prognos. (2016). Work Package 12: Delivery System – Final Report, Ex post evaluation of Cohesion Policy programmes 2007-2013, focusing on the ERDF, the ESF and the Cohesion Fund, p.43.

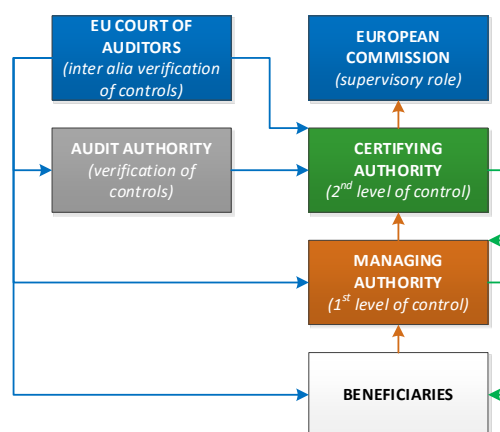
²² Regulation (EC) No. 1303/2013.

²³ Idem.

As illustrated in Figure 5, for each OP, the Member State appoints at national or regional level:

- A Managing Authority (and their delegated intermediate bodies) that provides reliable accounting, monitoring and financial reporting systems, and ensures an adequate audit trail through information systems. For the 2014-20 programming period, Article 125 of the Common Provisions Regulation requires that Managing Authorities put in place effective and proportionate anti-fraud measures taking into account the risks identified.
- A Certification Authority that prepares the annual accounts and certifies their completeness and accuracy, and submits payment applications before their transmission to the EC; and
- An Audit Authority that is responsible for establishing whether the annual accounts submitted by the certifying authorities paint a fair and accurate picture, the expenditure declared to the EC is legal and regular, and the OP control systems function properly. In order to do so, the audit authority provides the EC with an audit strategy, annual audit opinion and annual control report taking into account the previous 12 months.

Figure 5 - EU Cohesion Policy's control system



Note: blue arrows = flow of audits, orange arrows = flow of expenditure claimed, green arrows = operational verifications/checks

Source: EC DG REGIO²⁴, adapted by EV

The EC is ultimately responsible for implementing the EU budget and is therefore responsible for supervising the functioning of the aforementioned programme authorities. Thus, in order to strengthen the internal controls for EU Cohesion Policy during the 2014-20 programming period, the EC now²⁵:

- Accepts (or rejects) the accounts of each OP (or group of OPs) on an annual basis; previously this procedure only occurred at OP closure.
- Assesses the annual OP accounts on the basis of a comprehensive assurance package comprising (i) the certified accounts prepared by the Certifying Authorities in the Member States for the accounting year, (ii) the Managing Authority's management declaration and annual summary of controls and verifications, and (iii) the Audit Authority's annual control report and audit opinion, including the financial corrections implemented at national-level.
- Systematically retains 10% of the amounts certified for every interim payment made to Member States. This retention mitigates to some extent the inherent risk that expenditure declared by Member States contains errors. If the EC accepts the accounts, the sum retained can be released.
- Applies a cancellation of all or part of the EU contribution where either the EC or the European Court of Auditors detects serious irregularities that were undetected, unreported or uncorrected by the programme authorities.

Further to this, the ECA audits a representative sample of projects in the Member States and, more recently, piloted the assessment and testing of key elements of the internal control systems in place, both at the EC and Member State level²⁶.

²⁴ EC, DG REGIO. (2009). The control system for Cohesion Policy: How it works in the 2007-13 budget period.

²⁵ European Court of Auditors. (2017). Background paper: The ECA's modified approach to the Statement of Assurance audits in Cohesion. Luxembourg: European Court of Auditors.

²⁶ Idem.

Lastly, and as illustrated in Figure 4 (page 14), compliance is a transversal component of EU Cohesion Policy's delivery system, as it is applicable to all steps in the process. It relates to the adherence of rules regarding *inter alia*: the location and type of activities co-financed; project selection criteria; the period during which expenditure may be incurred; competitive tendering processes; and compliance with rules on State aid, where applicable.

2.4 Evaluation

The evaluation of OPs is a compulsory requirement as it is “*necessary to evaluate the effectiveness, efficiency and impact of assistance from the ESI Funds in order to improve the quality of design and implementation of programmes, and to determine the impact of programmes in relation to the targets under the Union strategy*”²⁷. Three types of evaluations are typically carried out during the lifecycle of OPs:

- Ex ante evaluations of OPs, which are undertaken by Member States, seek to improve the quality of the design of each programme, and verify whether its objectives and targets can be reached. They should also help to put in place adequate monitoring systems that meet evaluation requirements.
- Ongoing or mid-term evaluations, which are mainly the responsibility of Member States but may also be undertaken by the EC at its own initiative, in partnership with the Member States. These evaluations review whether the OPs are on track or should be revised in order to increase the likelihood of achieving the goals initially set.
- Ex-post evaluations of OPs are undertaken by the EC in close cooperation with the Member State and MAs. These evaluations review the extent to which resources are used, as well as the effectiveness and efficiency of programming and their socio-economic impact.

In addition, and as per the Common Provisions Regulation for European Structural and Investment Funds, “*evaluations, expert reports, statistics and studies may be carried out where appropriate by the EIB*”²⁸.

2.5 The EIB Group's role in EU Cohesion Policy

The EIB has contributed in a variety of ways to EU Cohesion Policy objectives since the reform of the Structural Funds in 1988²⁹. More recently, the EIB's expected role in Cohesion Policy has been detailed as follows in the Treaty of Nice and the Treaty of Lisbon:

- The EU should support the achievement of its economic, social and territorial cohesion³⁰ objectives by the action it takes through *inter alia* the EIB (Articles 174 and 175);
- The task of the EIB is to **contribute**, by having recourse to the capital market and utilising its own resources, to the balanced and steady development of the internal market in the interest of the EU. For this purpose the Bank shall, operating on a non-profit-making basis, grant loans and give guarantees which facilitate the financing of the projects in all sectors of the economy, including **projects for developing less developed regions**. In carrying out its task, the Bank is expected to facilitate the financing of investment programmes in conjunction with assistance from **the Structural Funds and other Union Financial Instruments** (Article 309).

²⁷ Recital (52) of Regulation (EC) No. 1303/2013. Evaluation provisions are laid down in Article 47 of Council Regulation (EC) No. 1083/2006, and Article 54 of Regulation (EC) No. 1303/2013.

²⁸ Article 58 of Regulation (EC) No. 1303/2013.

²⁹ Van der Zwet, A. et al. (2016). Research for REGI Committee – Review of the Role of the EIB Group in European Cohesion Policy.

³⁰ Economic and social cohesion aims to boost competitiveness and green economic growth in regional economies, while providing people with better services, more job opportunities and a better quality of life. Territorial cohesion aims for more balanced and sustainable development, and seeks to ensure that people are able to make the most of the inherent features of the areas in which they live.

While the EIB's lending objectives are anchored by EU legislation, the grouping and communication of its EU Cohesion Policy goal has changed with time, as in the past it has been labelled as a primary public policy goal and, more recently, as a cross cutting goal (see Figure 6).

In recent years, the EIB's annual target is for 30% of its signed projects to contribute to Economic and Social Cohesion and Convergence.

Figure 6 - Overview of the EIB's Public Policy Goals post-2014

Primary Public Policy Goals	Cross Cutting Goals	
Innovation	Economic and Social Cohesion and Convergence	Climate Action
SMEs and MidCaps finance		
Infrastructure		
Environment		

Source: EIB

Since 2007, this Cohesion and Convergence target has been met, with the exception of 2015 (28%). The actions being taken by the EIB in order to achieve the annual target, and support EU Cohesion Policy more broadly, are touched upon in the relevant regulatory packages issued under the 2007-13 and 2014-20 programming periods; which somewhat align with the Bank's slogan of "lending, blending and advising" (see Table 2).

Table 2 - EIB Group activities relating to EU Cohesion Policy

Activity	2007-13 programming period	2014-20 programming period
(B)lending	Direct Loans	
	Intermediated Loans	
	Framework Loans (including SPLs)	
	Global Loans	Integrated within Intermediated Loans
Advising	Ad-hoc advice and support for MAs, regional, national and EU institutions	
	Technical expertise for EU Regulations, Acts and Guidance	
	Lending specific TA	
	Jaspers (EIB)	
	Jasmine (EIF)	fi-compass (EIB)
	Jeremie (EIF)	
Jessica (EIB)		
Mandate management	Holding fund managers for urban development (EIB)	
	Holding fund managers for enterprises (EIF)	
		Implementing EU-level instruments(SME initiative)

Source: van der Zwet et al.³¹, adapted by EV

Further to this, the Bank also engages in mandate management activities relating to EU Cohesion Policy, particularly when the EIB implements holding funds for Financial Instruments set up by Member States and regions for enterprises and urban development. Lastly, the EIB engages in other initiatives that are not considered to be a part of EU Cohesion Policy's formal framework, but nevertheless seek to complement its objectives, such as the Connecting Europe Facility (CEF), InnovFin and the European Fund for Strategic Investments (EFSI)³².

³¹ Van der Zwet, A. et al. (2016). Research for REGI Committee – Review of the Role of the EIB Group in European Cohesion Policy.

³² Idem.

2.6 The possible future of EU Cohesion Policy and its delivery system³³

Under Article 25 of the 2014-20 MFF Regulation³⁴, the EC was expected to present a proposal for a new MFF for the period beyond 2020 no later than 1 January 2018. However, the result of the United Kingdom's referendum on its EU membership has prompted the EC to postpone publication of the proposal to May 2018, by which time the impact of Brexit on the EU's finances should be clearer³⁵.

A recent study by the European Parliamentary Research Service³⁶ and an analysis by Becker³⁷ highlighted, *inter alia*, the following procedural issues that will likely have a bearing on the EU budget:

- **The duration of the MFF**, as the current, seven-year MFF is not synchronised with the five-year political cycle of the European Parliament and the EC.
- **MFF priorities and structures**, as some consider the current structure outdated and too focused on past priorities. As such, there are calls for the budget to support evolving EU strategic priorities, thereby increasing the efficiency by which financial leeway may be regained while strengthening the legitimacy of European budgetary policy.

Further to this, the EC's Reflection Paper on the future of EU finances³⁸ made the following six proposals for increasing the effectiveness of EU Cohesion Policy and its delivery system:

1. **Increase its flexibility**, e.g. through a portion of funding being “unallocated” at the beginning of the budget period, in order that funds are reserved for unexpected developments and new challenges – such as crises and unforeseen events – that may be tackled more quickly. However, increasing flexibility in order to respond to new European priorities will need to be reconciled with stable investment over the medium term³⁹.
2. **Quicken its implementation and facilitate a smoother transition between programming periods**, e.g. by adopting shorter procedures for closing programmes, as well as quicker and more flexible processes for programming.
3. **Build administrative capacity** in order to increase the effectiveness of investments and remove a serious obstacle to economic growth.
4. **Increase the levels of national co-financing** in order to increase Member State and regional ownership and responsibility.
5. **Create a single investment fund or a single set of rules for existing funds** in order to facilitate more coherent investment and simplify the administrative procedures that final beneficiaries are subject to.
6. **Review the current distribution of funds** used to finance EU Cohesion Policy by applying new criteria, e.g. by linking funding to the challenges that Europe currently faces.

The abovementioned paper reflects on the possibility of further leveraging the EU budget, especially for revenue-generating projects, by drawing on Financial Instruments and/or institutions such as the EIB. Should such changes come to fruition, they will likely affect the EIB Group's role in EU Cohesion Policy post-2020 and the relevance of SPLs in the future.

³³ This report has been submitted to the EIB Board prior to the publication of EC's proposal for a new MFF for the period beyond 2020.

³⁴ Council Regulation (EU, EURATOM) No 1311/2013.

³⁵ European Parliament legislative train schedule for the MFF beyond 2020. Accessed on 18 January 2018.

³⁶ D'Alfonso, A., Delivorias, A., Sapala, M. & Stuchlik, A. (2017). Economic and budgetary outlook for the European Union 2017.

³⁷ Becker, P. (2017). In-depth analysis requested by the BUDG Committee on the next Multiannual Financial Framework (MFF) and the Unity of the EU budget, Policy Department for Budgetary Affairs, Directorate General for Internal Policies of the Union.

³⁸ EC. (2017). Reflection Paper on the future of EU finances.

³⁹ Opening speech by Commissioner Crețu at the Ministerial meeting of the Visegrad Group Countries (Czech Republic, Hungary, Poland, Slovakia), Bulgaria, Croatia, Romania and Slovenia, 26 January 2016.

3. THE EIB'S SPLs IN A NUTSHELL

3.1 The SPL product

This section describes SPLs by providing a factsheet highlighting the key characteristics of this EIB product and describing its lifecycle. An illustration of the detailed intervention logic of the SPL product is provided in Annex 1.

Table 3 - SPL factsheet

What are SPLs?
<p>Broadly speaking, the Bank offers the following three loan products within the EU:</p> <ul style="list-style-type: none"> • Investment Loans, which are loans made directly to private or public sector promoters of projects where the total investment cost exceeds EUR 25 m. • Multiple Beneficiary Intermediated Loans, which are provided to a financial institution that on-lends the proceeds to a large number of final beneficiaries with projects having a total investment cost below EUR 50 m. • Framework Loans, which are multi-component investments that support single or multi-sector development strategies of a region or country. Due to incomplete information being available at the appraisal stage, they require decisions concerning the financing of specific projects to be taken after approval of the overall Framework Loan by the EIB Board. There is no maximum or minimum total investment cost for projects under Framework Loans. <p>An SPL is a type of EIB Framework Loan that primarily (or entirely) supports the national co-financing of a set of projects within a Member State or region's Operational Programme(s) (OP). OPs set out how the European Structural [and Investment] Funds will be spent during the 2007-13 and 2014-20 programming periods.</p> <p>The defining features of an SPL are: (i) their high flexibility, both in terms of the size of projects that SPLs may support, and the approval of underlying projects occurring after the EIB Board's approval of the overall SPL; and (ii) their high degree of delegation, as the EIB transfers certain appraisal and monitoring tasks, traditionally performed by the Bank, to the promoter. The degree of delegation typically depends on promoter capacity and potential risks posed by the programme of projects supported by the SPL.</p>
Who are SPLs for?
<p>For each SPL, the EIB has three counterparts:</p> <ul style="list-style-type: none"> • The borrower: the counterpart directly receiving the EIB's SPL; typically the Member State or a region represented by its Ministry of Finance or a regional equivalent. • The promoter: the counterpart responsible for the management and implementation of the investment programme falling within an OP(s) covered by the SPL. The promoter is typically a coordination function within a Ministry of the Member State (or regional equivalent) which provides the EIB with information on the implementation of an SPL operation and the underlying projects that it supports. Promoters often also undertake the role of a Managing Authority. • The entities ultimately benefitting from EIB financing that are responsible for the physical implementation of their respective projects (referred to as "final beneficiaries" by the EIB, and "beneficiaries" by the EC).
What is the EIB expecting to deliver through SPLs? (activities and expected outputs)
<ul style="list-style-type: none"> • Liquidity provided by the EIB on favourable terms allows Member States or regions to secure their expected share of funding for eligible projects under OPs; thereby allowing them to pre-finance, finance or re-finance a part of, or their entire share of expenditures on these projects prior to the receipt of payments from European Structural [and Investment] Funds. • Technical Assistance, if applicable and as a component of the SPL, enables promoters to overcome their shortcomings in terms of management and control activities, and supports them in developing a broader and higher quality pipeline of eligible projects.
What is the EIB expecting to achieve through SPLs? (expected outcomes)
<ul style="list-style-type: none"> • Funding allows promoters to kick-start, accelerate or bring back on track the implementation of their OPs. • The EIB's co-financing generates a signalling effect, encouraging other financiers to engage with the borrower, and/or existing financiers to engage with the borrower at favourable terms.
What is the EIB expecting to contribute to through SPLs? (expected impact)
<ul style="list-style-type: none"> • The completed projects contribute to the achievement of the objectives at the OP-level, and ultimately to the achievement of EU Cohesion Policy objectives.

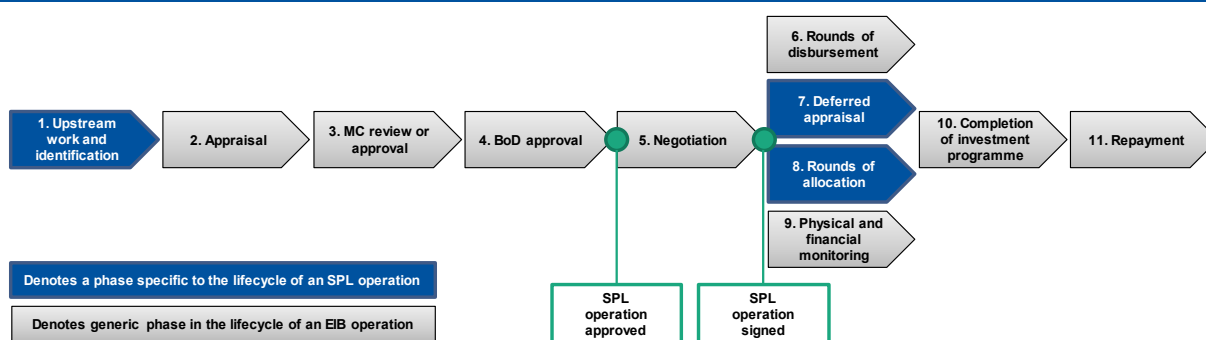
Source: EV

3.2 The lifecycle of and procedures for SPL operations

The lifecycle of an SPL operation comprises several phases. Some of these phases are common to most EIB operations (Nos. 2, 3, 4, 5, 6, 9, 10 and 11), while others are specific to SPLs (Nos. 1, 7, 8). The phases are numbered and detailed below, and are illustrated in Figure 7:

1. **Upstream work leading to SPL identification**, as the Bank – at the request of Member States – may participate in the preparation of strategic documents, including OPs. In such cases, the EIB should have early indications as to how it might support national co-financing for a set of projects within an OP(s), thereby indicatively defining the investment programme supported by the SPL.
2. Operation **appraisal** by the EIB in close cooperation with the borrower (usually the Ministry of Finance or regional equivalent) and promoter (usually a coordination function within a Ministry of the Member State or a regional equivalent).
3. The results of the appraisal are included in a report to the EIB's Management Committee (**MC**) for approval ahead of the submission of a financing proposal to the EIB's Board of Directors (BoD) for decision.
4. Following this, the EIB's **BoD approval** of the financing proposal may occur.
5. The EIB then finalises **negotiations** ahead of contract(s) signature.
6. **Disbursements**, subject to requests from the borrower, are made by the EIB.
7. A **deferred appraisal** of the projects falling within the investment programme supported by the SPL occurs, usually after contract signature. This phase is required as, at the time of operation appraisal, there is typically insufficient information on the projects falling within the investment programme supported by the SPL. The level in the EIB hierarchy at which deferred projects are approved depends on project size, and is summarised in Table 4.
8. Subject to the deferred approval of projects, **allocations** are made. These allocations are financial amounts credited by the EIB to borrowers, who distribute financial amounts to final beneficiaries for eligible projects deployed under the investment programme supported by the SPL.
9. The EIB **monitors** the operation, from a physical and financial standpoint, from the date of signature of the finance contract(s).
10. Once the **investment programme is complete**, the borrower/promoter submits a completion report to the EIB, which indicates the completion of the investment programme's physical implementation. The EIB's Projects (PJ) Directorate then issues its own project completion report.
11. Finally, financial monitoring of the operation ends at the point in time at which the loan is repaid.

Figure 7 - The lifecycle of an SPL operation



Source: EV

The EIB's lending policy sets the following limits that are relevant to SPLs:

- The Bank's contribution is capped at 50% of the total investment cost of the investment programme supported by the SPL; this limit only being exceeded in specific cases at the discretion of the BoD. Therefore, the Bank could finance up to 100% of an individual

project falling within the investment programme supported by the SPL, providing that the cap is respected for the overall portfolio of projects supported by the SPL.

- For regions classified by the EC as less developed, transition or under transitory measures, the aggregated contribution of the European Structural [and Investment] Funds and the EIB cannot exceed 90% of the total investment cost of the OP financed. For developed regions, the ceiling decreases to 70%. The application of this ceiling is commonly referred to as the **cumul rule**; its rationale and method of calculation are analysed in section 5.1.

In terms of disbursements, the first (up-front) disbursement of an SPL cannot, in principle, exceed 30% of the total approved loan amount. While for subsequent disbursements, the borrower is required to submit satisfactory evidence to the Bank showing that one of the two following options is met:

- 50% of previously disbursed sums have been paid out effectively to the beneficiaries. By applying this option, the EIB aims to ensure that borrowers ultimately transfer financial resources to final beneficiaries, hence supporting projects that are already in their implementation phase; or
- 80% of previously disbursed sums have been allocated to identified projects. By applying this option, the EIB aims to ensure that the final use of funds is committed to clearly defined projects. This option is particularly suited for projects in their kick-starting phase (hence not yet in implementation phase).

The EIB strives to take a proportional approach to its allocation procedure by basing it on the total investment cost of the projects (see Table 4). In doing so, the EIB seeks to further its support to smaller projects that would otherwise not be supported by EIB financing due to the cost implications on the Bank.

Table 4 - SPL allocation procedure by project size

	Small project	Mid-sized project	Large project
Total investment cost threshold	< EUR 25 m	EUR 25 m – EUR 50 m	> EUR 50 m
Timing of confirmation of approval	Ex-post	Ex-ante	Ex-ante
Level of approval	Authorised EIB staff	Authorised EIB staff	EIB BoD
Basis of approval	Row of key data within an Excel document provided by the borrower or promoter	Review of a more detailed project fiche or dossier provided by the borrower or promoter	Detailed appraisal of the project dossier provided by the borrower and/or promoter, akin to those for Investment Loans

Source: EV

3.3 The portfolio of SPL operations: key figures

As summarised in Table 5, the EIB's SPL portfolio over the 2007-13 and 2014-20 programming periods totals: EUR 38.87 bn in terms of approved amounts; EUR 30.32 bn in terms of signed amounts; and EUR 21.06 bn in terms of disbursed amounts. Further analysis on the portfolio, particularly in terms of the utilisation status of approved amounts by programming period, is provided in section 6.1.

Table 5 - Overview of the portfolio of SPL operations by volume

Programming period	Approved		Signed		Disbursed	
	# of operations	EUR bn	# of operations	EUR bn	# of operations	EUR bn
2007-13	38	21.74	36	20.59	35	17.22
2014-20	28	17.13	26	9.73	17	3.84
Total	66	38.87	62	30.32	52	21.06

Source: EV, data as of 31 December 2016.

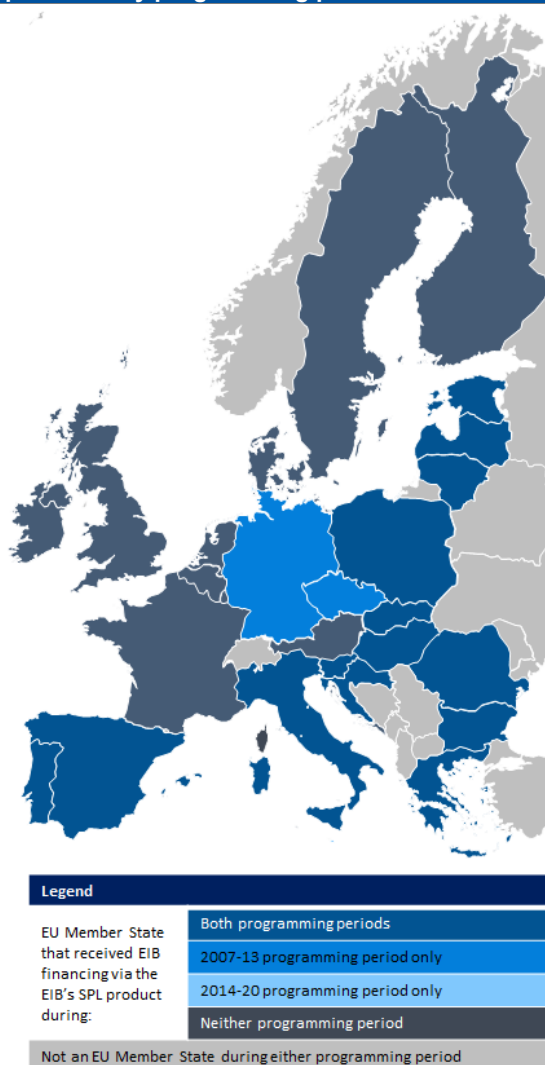
In terms of geographical coverage, over the two programming periods the EIB has engaged in SPL operations in a total of 18 EU Member States. As illustrated in Figure 8, of the 18 Member States:

- 15 have SPL operations relating to the 2007-13 and 2014-20 programming periods (Bulgaria, Croatia, Cyprus, Estonia, Greece, Hungary, Italy, Latvia, Lithuania, Poland, Portugal, Romania, Slovakia, Slovenia, Spain);
- Two have SPL operations relating to the 2007-13 programming period only (Germany and the Czech Republic); and
- One has an SPL operation relating to the 2014-20 programming period only (Malta).

As illustrated in Annex 3, in terms of signed SPL operations, the EIB is most engaged in Hungary, Poland, Greece and Slovakia. These Member States: apply a national institutional framework when managing and implementing their respective SPL operations (see Annex 4); and are eligible for funding under the Cohesion Fund which – along with the ERDF – is the leading European Structural [and Investment] Fund supported by SPLs.

Further to this, SPLs are also capable of supporting regional institutional frameworks deployed by less developed regions within larger EU economies; as has been the case in Germany, Italy and Spain.

Figure 8 - Geographical coverage of SPL operations by programming period



Source: EV

4. MAIN FINDINGS FROM THE INDIVIDUAL EVALUATION OF SPL OPERATIONS

Sampling approach and operations analysed

This thematic evaluation builds notably on the individual evaluation of 15 SPL operations implemented in six EU Member States under the 2007-13 or 2014-20 programming periods. The six Member States and the reasons for their inclusion within the sample are provided below:

- Hungary and Poland, as priority was given to Member States benefitting from the highest volume of SPL lending;
- Greece, in order to understand the benefits derived from its SPL's pilot TA initiative;
- Croatia, as a candidate country during the 2007-13 programming period, and a fully-fledged Member State during the 2014-20 programming period;
- Estonia as a Member State from the Baltic States; and
- Spain, as the SPL signed with Xunta de Galicia is illustrative of an SPL applying a regional institutional framework.

In each of these Member States, two “consecutive” SPL operations were selected for the sample, which relate to different programming periods but, broadly speaking, share the same geography, scope and promoters. Of the 15 operations, only the nine operations relating to the 2007-13 programming period are rated⁴⁰, as it is too early to assess the overall performance of the six operations relating to the 2014-20 programming period. Nevertheless, each individual evaluation report sheds light on the main evolutions from one operation to another. The resulting sample of operations is presented in Table 6.

Table 6 - SPL operations covered by the individual evaluation reports

MS	Programming Period	Operation name	Year of Signature	Total signed Amount (€ m) (as of end 2016)
Croatia	2007-13	CO-FINANCING EU IPA ISPA 2007-2011	2010	200
	2014-20	CROATIA EU FUNDS CO-FINANCING 2014-2020 (SPL)	2015	300
Estonia	2007-13	EU FUNDS CO-FINANCING 2007-2013 (EST)	2009	550
	2014-20	EU FUNDS CO-FINANCING 2014-2020 (EST)	2014	600
Greece	2007-13	EU FUNDS CO-FINANCING 2007-2013 (GR)	2015	2,050
	2014-20	EU FUNDS CO-FINANCING 2014-2020 (GR)	2015	1,000
Hungary	2007-13	EDUCATION CO-FINANCING FACILITY (HU)	2007	300
	2007-13	COHESION FUND FRAMEWORK LOAN	2006	300
	2007-13	COHESION FUND FRAMEWORK LOAN II (HU)	2011	770
	2014-20	COHESION FUND FL IV (HU)	2015	500
Poland	2007-13	EU FUNDS CO-FINANCING 2007-2013 (PL)	2010	2,130
	2007-13	POLAND FORESTRY AND ENVIRONMENT	2011	250
	2014-20	POLAND RURAL DEVELOPMENT CO-FINANCING	2016	700
Spain	2007-13	EU FUNDS CO-FINANCING GALICIA	2013	100
	2014-20	EU FUNDS GALICIA CO-FINANCING 2014-2020	2015	400

Source: EIB, adapted by EV, data as of 31 December 2016.

⁴⁰ Each operation for the 2007-13 programming period that was subject to a site visit, and evaluated individually, has been rated against its relevance and performance (effectiveness, efficiency and sustainability) and against the EIB's role throughout the operation's lifecycle (EIB management of the operation lifecycle and EIB Contribution).

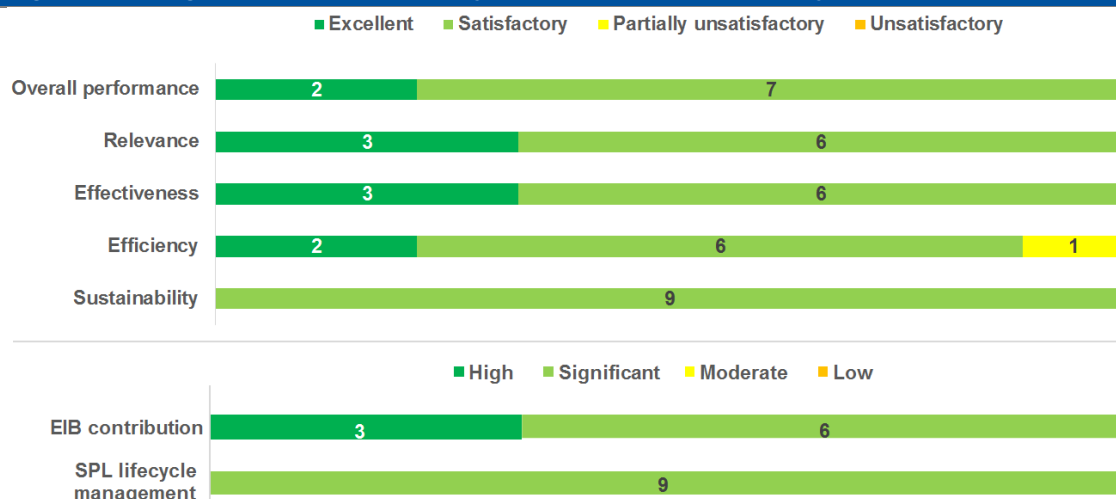
In terms of coverage of the SPL population over both programming periods:

- The entire sample of 15 operations accounts for 28% of approved amounts, 33% of signed amounts and 41% of disbursed amounts; and
- The nine rated operations falling within the sample account for 17% of approved operations, 22% of signed operations and 31% of disbursed operations.

The purpose of the sample was not to draw conclusions about the entire population of SPLs by using inferential statistics but rather to (i) be illustrative, by providing in-depth narratives that complement (or counter) the quantitative data of the portfolio; (ii) be exploratory, by providing critical instances, whereby an operation has had a unique experience that is of particular interest to the thematic evaluation; and (iii) be cumulative, by bringing together findings from a variety of cases.

A summary of the ratings is provided in Figure 9, and main conclusions against each evaluation criterion is provided thereafter.

Figure 9 - Ratings for the nine individually evaluated SPL operations, by evaluation criterion



Source: EV

Relevance

The projects supported by SPLs were fully consistent with the objectives of the EU, the Operational Programmes and the Rural Development Programmes (RDP), even in cases when they were not co-financed by European Structural [and Investment] Funds (concerns road projects supported under operation). The adequacy of the design of SPLs in meeting the needs of borrowers and promoters was generally found to be satisfactory to excellent. In three out of nine cases, the SPL supported Member States markedly affected by the recent global financial and economic crisis, which were encountering difficulties in mobilising their co-financing share, whether via recourse to the capital markets or through internal resources. By design, the SPL operation sought to address their critical liquidity constraints and was therefore conducive for their launching of their investments in accordance with the scale and timing planned in their OP; justifying the excellent overall rating for these operations. For the six other operations, the SPLs were designed to allow the counterpart to meet their national co-financing obligations at a faster pace than by mobilising alternative sources. The SPL operations were therefore conducive for borrowers to launch their planned investments without delay; which would otherwise have been partly postponed and/or for which MAs may have failed to respect the n+2 (or n+3) rule relating to the spending of committed European Structural Funds amounts (see Key terms). The SPLs' ability to support the timely deployment of their investment programmes, falling under OPs, justifies the satisfactory rating in terms of their relevance. Further to this, the design features of SPLs adequately addressed the flexibility needed in contributing to projects that were unknown at signature and of small size in terms of total investment cost. SPLs were particularly relevant

for addressing the liquidity needs of promoters implementing non-recurrent and large plans (investment and programme-based plans), where cash flow needs peaked during specific periods. Finally, the EIB's 30% upfront disbursement of SPLs was acknowledged by borrowers as an attractive feature of the SPLs (this aspect is further analysed in section 5.2).

Effectiveness

Aside from the one SPL, all rated SPLs have an allocation level exceeding 90% of the total approved amount. Beyond allocated amounts, the available data on Member State absorption rates during the 2007-13 programming period⁴¹ suggests that the projects co-financed have been completed; despite the late start in the implementation of the OPs under the 2007-13 programming period, coupled with the worsening macroeconomic and financial capacity of Member States and regions during the recent economic and financial crisis. Satisfactory absorption rates were achieved towards the end of the programming period (with the exception of Croatia; see section 6.3).

Effectiveness is rated against the extent to which SPLs have successfully kick-started, accelerated or brought back on track OPs. Three cases were identified for which the SPL's injection of liquidity allowed the formal launching of tendering processes and, subsequently, the pre-financing of projects. The operations for which such outcomes were reported have been rated as excellent in terms of their overall effectiveness. The other six operations for which no pre-financing effect was observed were rated as satisfactory, as the provision of resources by SPLs did not have an effect on kick-starting projects, but supported either (i) the financing of costs incurred by projects once work was underway, or (ii) the re-financing of a set of not substantially completed projects, therefore allowing the promoter to unlock previously committed financial resources to pre-finance and finance other eligible projects under the OPs.

Efficiency

Efficiency is the criterion for which ratings present most disparities from one SPL to another. The EIB's revenues for all the operations evaluated exceeded the Bank's management costs for implementing SPL procedures. However, in one case the prepayment of the loan implies a loss of expected revenue for the Bank, therefore justifying the partly unsatisfactory overall rating for its efficiency.

From the borrower's and promoter's viewpoint, the product's flexibility was unanimously appreciated, as the product adapts to the degree of uncertainty relating to the projects that will ultimately be supported. Further to this, counterparts deemed that the benefits of the SPL in contributing to the achievement of OPs' objectives have consistently outweighed the administrative costs of complying with EIB requirements. However, several borrowers reported that they faced difficulties in dealing with differences in EIB and EC procedures (this matter is further analysed in section 6.1). Lastly, three operations required far more time between Board approval and first disbursement than for other SPL operations⁴², and required extensions of their availability deadlines.

Sustainability

The sustainability of the projects supported within an OP is notably assessed by the EC as part of its monitoring of European Structural [and Investment] Funds. In addition to EU requirements, the EIB deploys its own procedures to monitor sustainability. In particular, the EIB's detailed ex-ante appraisal of mid-sized and large projects enables the Bank to mitigate the risk of financing unsustainable projects. For small projects, the EIB essentially relies on the EC's monitoring system.

⁴¹ European Structural and Investment Funds Open Data Platform.

⁴² On average, it took SPL operations 238 days to progress from Board approval date to first disbursement date.

The 30 site visits performed during the evaluation suggest that, for all nine SPLs rated, the final beneficiaries have implemented adequate procedures for the implementation of projects. However, site visits also found that limited EIB resources had been mobilised for monitoring SPLs, thereby inhibiting the Bank from proactively monitoring sustainability during the SPL's implementation phase (see section 7.3 for further analysis).

EIB contribution

The EIB's contribution was particularly high for the three Member States markedly affected by the recent global financial and economic crisis as these countries, in particular, could not obtain financing with maturities and rates equivalent to those offered by the EIB during the 2007-13 programming period. For the six other SPLs, the benefit was significant in terms of maturity offered but they reported an ability to access the capital markets to secure alternative sources of financing. Only one operation has had a Technical Assistance component embedded within it and so is the only operation rated in terms of its technical contribution (see section 6.2 for further analysis). The support provided was successful for improving project design, reporting, monitoring, and management practices. It is therefore rated high in terms of EIB technical contribution.

SPL Lifecycle Management

Aside from the monitoring phase (see section 7.3 for further analysis), the Bank has adequately managed SPL operations at all stages of their lifecycle, justifying a satisfactory rating for all nine operations. There has generally been good cooperation between the Bank and its counterparts, especially for the operation in which Technical Assistance was provided. The overall complementarity between the EC and the EIB is also appreciated, but communication and coordination between the two institutions was identified as an area for improvement. Finally, the visibility of EIB support through SPLs is extremely limited and is mostly restricted to borrowers and promoters. This is largely attributed to the lack of clear EIB rules on publicity and visibility for inside-EU operations.

By building on the main findings emanating from the individual evaluation of the sample of SPL operations, and drawing on (i) a review of strategic documents, (ii) an SPL portfolio review and (iii) interviews, the following sections assess the relevance and performance (effectiveness, efficiency and sustainability) of the SPL product and its operations.

5. THE RELEVANCE AND FINANCIAL CONTRIBUTION OF SPLS

This section evaluates the extent to which the design of the SPL product:

- **Is relevant for the EIB's** support to EU Cohesion Policy objectives;
- **Is suitable to borrowers**, by allowing them to respect their co-financing obligation under European Structural [and Investment] Funds, and by providing a financial advantage when compared to alternative financial products; and
- **Is suitable to co-financing projects under Operational Programmes**, by allowing promoters to kick-start, accelerate or bring back on track the implementation of projects under OPs.

5.1 Relevance for EIB support to EU Cohesion Policy

The EIB offers a variety of products relating to EU Cohesion Policy objectives, which align with the Bank's slogan of "lending, blending and advising" (products described in section 2.5). The SPL product is a distinct EIB (b) lending product, as it aims to support the implementation of European Structural [and Investment] Funds in combination with EU grants. **By doing so, the SPL product supports the Bank in "carry[ing] out its task" as defined by the Treaty on the Functioning of the EU (Article 309)**, which states that the EIB shall "*facilitate the financing of investment programmes in conjunction with assistance from the Structural Funds and other Union Financial Instruments*". Beyond financing projects, the EIB's involvement in the formulation [and monitoring] of Partnership Agreements (PAs) and National Strategic Reference Frameworks (NSRFs) between the EC and Member States has thus far been limited.

SPL operations allow the EIB to support projects under OPs, in a variety of sectors⁴³ and contexts, that would otherwise not have accessed EIB financing, as the vast majority of projects were small and mid-sized projects; hence, the EIB would not have been able to finance them individually at a reasonable cost, and such projects would not be eligible for EIB Investment Loans (see Table 3 for further information). Within the sample of operations evaluated, there was only one case (the Patras-Athens-Thessaloniki-Promahonas (PATHEP) Railway Corridor in Greece) for which the evaluation found that it would have been just as appropriate to finance the project via a standalone EIB Investment Loan. However, in agreement with Greece's Ministry of Finance, the EIB included the project within a broader SPL operation, in order to meet the financial needs of the borrower without delay.

On a case-by-case basis, SPL operations have included projects not co-financed by European Structural [and Investment] Funds, providing they were consistent with national or regional investment programmes. In such cases, the EIB and its counterparts justified the extension of the scope of the SPL's investment programme to ensure the full allocation of the loan, while remaining consistent with regional, national and EU objectives. **The projects approved by the EIB that are not co-financed with European Structural [and Investment] Funds are not subject to EU Cohesion Policy's delivery system**, and so may not be subject to the same level of scrutiny as projects falling within OPs. Therefore, while the monitoring of these projects does not draw on EU Cohesion Policy's comprehensive controls and monitoring requirements, they remained labelled as projects under SPLs, not as projects under standard Framework Loans (as they ought to be).

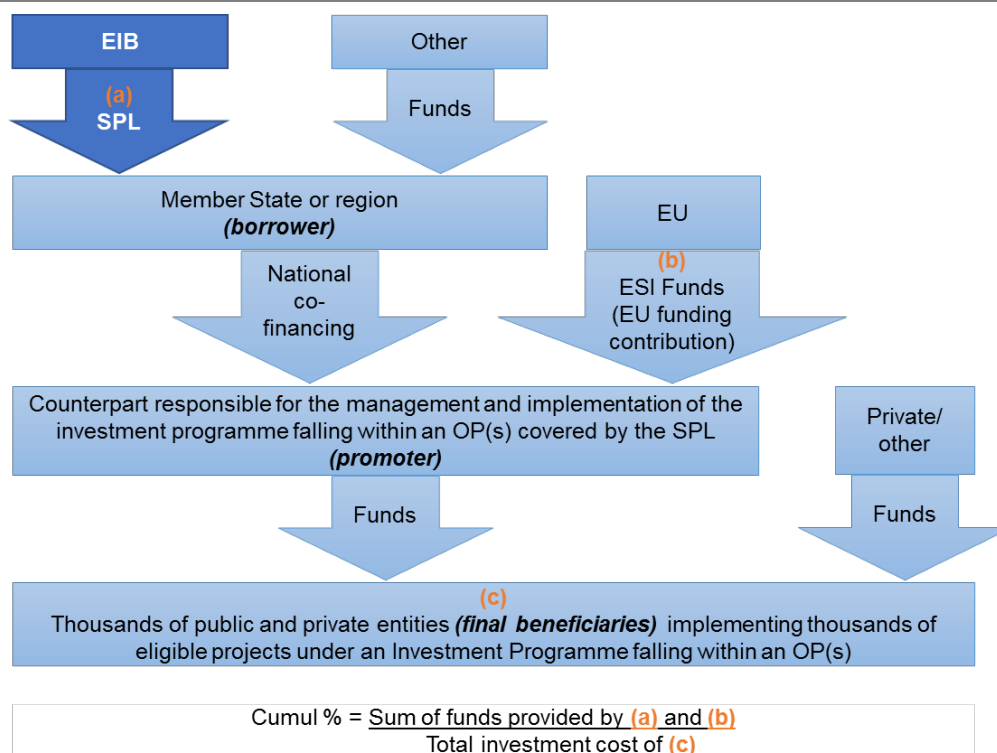
Since 1994, for regions classified by the EC as less developed, transition or under transitory measures, the EIB's policy has been to limit the combined amount of EIB loans and EU grants to 90% of total investment cost. The ceiling for projects in developed regions is 70%. This "cumul ceiling for total Community support" is commonly referred to as "the cumul rule".

An overview of how the cumul rule is calculated is provided in Figure 10. Yet, in practical terms, **the calculation of the cumul rule is complicated** by the EIB and the EC's different definitions

⁴³ For example, in one country, a single SPL was used to support ten OPs covering the following sectors: environment; energy efficiency and renewable energy; water; waste; RDI; ICT; and human capital. Similarly, in another country, an SPL was used to cover five national and 14 regional OPs.

of eligible costs as, for example, the EC includes VAT in its total investment cost calculation, while the EIB does not.

Figure 10 - Illustrative example (not to scale) of the calculation of the cumul rule



Source: EV

In 2003, the EIB decided that it could increase the 90% ceiling to 100% for projects in the Cohesion Countries and Objective 1 Regions of the EU on an exceptional basis. Since then, the cumul rule has been waived on several occasions for a variety of reasons⁴⁴. In order to improve consistency in the application of the waiver, the EIB decided in June 2012 that the cumul ceiling could be increased to 100% for: (i) individual large schemes/projects, when duly justified and, if within the 90% cap, for the entire operation; and (ii) exceptional and only well justified cases at the SPL-level, e.g. when Convergence regions are experiencing or are threatened with serious difficulties with respect to their financial stability and are subject to macro-economic supervision as per Regulation (EU) No 1311/2011⁴⁵.

The implementation of the cumul ceiling has been subject to debate, and the principles put forth for and against the cumul rule are summarised in Table 7.

Table 7 - Summary of principles for and against the cumul rule

Principles in favour of the cumul rule	Principles against the cumul rule
<ul style="list-style-type: none"> Promoters demonstrate their commitment to projects by participating in their financing with their current own resources (i.e. not only committing future own resources for repaying the SPL). 	<ul style="list-style-type: none"> The Bank should treat equally all EU Member States and Candidate Countries. In the context of the financial crisis and the low absorption rates of European Structural Funds, the corresponding regulation allowed for a possible

⁴⁴ Due to: the importance of the programmes supported; the limited availability of long-term financing to the borrower; and the expected acceleration effect of the operations on the achievement of EU Convergence objectives.

⁴⁵ This Regulation was primarily directed at Member States that have received financial assistance under: the balance of payments support mechanism (Romania, Latvia and Hungary); the then European Financial Stability Facility (Greece, Ireland and Portugal); and (iii) more recently under the European Stability Mechanism (Cyprus).

Principles in favour of the cumul rule	Principles against the cumul rule
<ul style="list-style-type: none"> Accession countries, in particular, have important investment needs, but also substantial budgetary issues. The cumul rule signals that some of these countries need to make an effort in terms of increasing their fiscal capacity, in order to participate with their own financing. 	<ul style="list-style-type: none"> increase of the EU's grant contribution to 95% for Member States experiencing or threatened with serious difficulties with respect to their financial stability. In such instances, any EIB intervention is de facto excluded. The EIB is the only IFI that applies a (self-imposed) ceiling of 90% for combined ISPA/EIB financing. Since 2000, the IBRD, the EBRD, CEDB, NIB and NEFC revised their Memorandum of Understanding with the EC to abolish the 90% ceiling.

Beyond these principles, the application of the cumul rule limits the volume of support that the EIB provides to Member States' co-financing obligations through SPLs, and this has adverse consequences for both the borrower and the EIB as:

- The borrower will either have to draw on financing from other sources (likely with less favourable conditions) in order to implement projects within its investment programme, or may decide not to implement the projects to the same extent or at all. In the case of the latter, the reduced financial capacity of the Member State or region will, according to experts reduce the ability of Member States to fully implement the OPs.
- By not covering the entirety of the Member State or region's co-financing obligations, the Bank foregoes potential revenues and thereby hinders the cost coverage of its operations. For instance, in cases when the EU's funding contribution accounts for 85% of the total investment cost of the projects in a less developed region that are supported by an SPL, the EIB's loan would be limited to 5%; thus affecting the EIB's cost recovery, particularly for cases in which the total cost of the investment programme is relatively low and/or the Bank provides a high level of technical input (see cost coverage in section 7.3).
- Ultimately, a limitation on the volume of EIB co-financing via SPLs reduces the degree to which the Bank can carry out its "task" of facilitating the financing of investment programmes in conjunction with assistance from the Structural Funds and other Union Financial Instruments.

5.2 Suitability for borrowers

The SPL product is fit for purpose, as **it provides liquidity to borrowers, enabling them to respect their national co-financing obligations for their OPs**. As indicated in the previous section, experts notably relate low absorption rates of EU funds to the inability of Member States or regions to fully co-finance the programmes and projects supported by the EU, among other factors⁴⁶. SPLs make a sizeable contribution (≈10%) to the total cost of their respective investment programmes, and so tend to cover a major share of national co-financing obligations. This financial contribution with favourable terms was welcomed at the height of the recent global financial and economic crisis, when Member States and regions were subject to fiscal tightening, thereby hindering their financial capacity. As such, the provision of liquidity by the EIB's SPLs to Ministries of Finance (or regional equivalents) was used for cash-flow management purposes. Furthermore, SPLs were cost-efficient for smaller EU economies that were not directly accessing capital markets, due to the high costs that would have otherwise been borne for relatively low amounts of borrowing.

The SPL product is also fit-for-purpose as **it offers a range of financial options to borrowers, allowing them to tailor the product to their needs and to changing market conditions**. These

⁴⁶ "Absorption rates are conditioned by three main features: administrative capacity, i.e. ability of the Member State or regional authorities to prepare and manage the OPs, including their underlying projects; macroeconomic capacity, as limits on the transfer of EU Cohesion Policy funds were tied to the respective Member State's gross domestic product (GDP); and financial capacity, i.e. the ability of the Member State or region to co-finance the programmes and projects supported by the EU". Source: Katsarova, I. (2013). The (low) absorption of EU Structural Funds, Library of the European Parliament.

options relate to types of: contracts, interest rates, maturities and amortisation profiles, repayment profiles and currencies.

The ability of an SPL operation to allow promoters to kick-start, accelerate or bring back on track the implementation of their projects is contingent on the rapid disbursement of EIB funds to the borrower. As such, **the 30% upfront disbursement offered by SPLs is an adequate contractual modality**⁴⁷, and is triggered by the promoter fulfilling certain conditions, including evidence that a Project Coordinator has been appointed with responsibility for the allocation requests and progress reporting under the finance contract.

Other international financial institutions usually only disburse on the basis of already spent and justified amounts, while EU funds are disbursed upon proof of payments to final beneficiaries. Thus, if the EIB would apply the same conditions as other IFIs or EU funds, then the effect on promoters kick-starting, accelerating or bringing back on track OP implementation, would be severely diminished. As such, the EIB's upfront disbursements are particularly supportive in cases where the promoter aims for a high-level of contracting relatively early in the programming period; as a multitude of projects would need to be financed and implemented simultaneously. For instance, for the 2014-20 programming period, Hungary indicatively aimed to contract 85% of its overall OP envelope by the end of 2017. Despite falling short of this target, Hungary has decided upon 78% of its overall OP envelope, which is second highest among EU Member States⁴⁸.

Subsequent EIB disbursements are determined by lists of allocations (see Table 4 on page 22) demonstrating progress either in terms of 50% of previously disbursed sums being paid out effectively to final beneficiaries or 80% of previously disbursed sums being allocated to identified projects. As such the SPL product sets the EIB clear milestones for its rounds of disbursement, while encouraging the borrower to demonstrate the progress of its activities in accordance with the finance contract.

Through SPLs, the EIB has passed on favourable financial terms to its counterparts, both in terms of rate and maturity. As such, the EIB's financial contribution⁴⁹ **was particularly high during the 2007-13 programming period**, as the EIB's lending activities were set in the context of the global financial and economic crisis. During site visits, borrowers explained how they benefitted from the lengthier maturity profiles provided by SPLs, which were more aligned to the economic lifecycles of the investments supported under the OPs⁵⁰, and far exceeded those offered by other financiers at the time⁵¹.

Now in the context of the EU's economic recovery, the financial advantage of engaging with the EIB has diminished in terms of interest rates offered, but remains significant in terms of maturity profiles. This was largely attributed to more alternative sources of financing being available during the 2014-20 programming period, and the prevailing low interest rate environment across the EU.

⁴⁷ The first disbursement, when not justified by allocations, cannot in principle exceed 30% of the total signed loan amount. The first disbursement, when justified by allocations, can exceed 30% of the total signed loan amount up to the amount allocated through the Letter(s) of Allocation.

⁴⁸ European Structural and Investment Funds Open Data Platform. Accessed on 19 January 2018.

⁴⁹ Broadly speaking, the EIB's financial contribution to its clients is positive when the client's borrowing costs from alternative sources are higher than those of the EIB, and when terms for alternative sources of financing available to the client are not as flexible as those offered by the EIB.

⁵⁰ For instance, investments in roads, water distribution and waste management.

⁵¹ Typically with a maximum tenor of ten years.

Box 1 - Macroeconomic context & credit rating of Member States engaged in SPLs

- EU Member States covered in this evaluation - with the exception of Malta - experienced an increase in their debt to GDP ratio after the financial and economic crisis of 2008, albeit to varying degrees. The increase of the debt to GDP ratio was moderate over the 2008-16 period in Hungary, Estonia and Poland, and to a lesser extent in Bulgaria. The increase of the debt to GDP ratio was slightly above the EU28 average in Romania, Slovakia, Italy and Croatia. By contrast, the ratio more than doubled between 2008 and 2016 in Slovenia, Portugal, Spain, Cyprus and Greece. Two EU Member States had a debt to GDP ratio above 100% by 2008 (Italy and Greece). By 2016, two more Member States (Cyprus and Portugal) had a debt to GDP ratio above 100%.
- At the time during which the SPL operations analysed were contracted, most SPLs constituted a very small proportion of the total debt of borrower countries (from 0.13% of total debt at signature in Poland to 1.62% in Croatia). However, in one case, the SPL operation accounted for 62.3% of the country's public debt at the time; this is explained by the relatively high costs that would be borne by this country should it wish to have direct recourse to the capital markets.
- The credit rating of most Member States reached their lows during the 2011-13 period, but are recovering to varying degrees. For instance Poland, Estonia, the Czech Republic and Slovakia maintained their upper medium grade rating in the 2007-2016 period with relative stability. On the other hand, Spain, Portugal and Italy have not managed to regain their high credit rating since the crisis, but have stabilised at the medium-grade territory, while Greece's credit rating declined dramatically and remains in non-investment grade territory.

Sources: Eurostat (debt ratios) and Moody's (credit ratings)

5.3 Suitability for co-financing projects under OPs

The EIB's deferred appraisal process has proven adequate for supporting investment programmes under OPs, for which information is incomplete at the time of approval. The EIB's ability to finance specific projects after approval of the overall operation by the EIB Board is fully in line with the co-financing needs of an OP, for which most activities are identified over the course of its implementation period. As a type of framework loan, SPLs also allow projects identified after the EIB's signature of the operation to be included within the investment programme, providing they meet EIB eligibility criteria.

Within the framework of an OP(s), the design of SPLs was conducive to accelerating and kick-starting projects, especially larger ones, as borrowers and promoters are able to mobilise SPLs for liquidity and cash-flow management purposes. The availability of an adequate volume of liquidity may allow promoters to:

- Pre-finance a set of projects: the secured resources allow the promoter to formally launch tendering processes, hence kick-starting the implementation of eligible projects that otherwise would have been delayed or would not have happened to the same extent, if at all;
- Finance a set of projects: the provision of liquidity allows the promoter to start or continue financing the costs incurred by projects in a timely manner, once work is underway; and
- Re-finance a set of projects, providing they are not substantially completed when the allocation request is submitted to the EIB⁵²: the provision of liquidity allows the promoter to unlock previously committed financial resources, which can then be committed to pre-finance and finance other eligible projects under the OPs⁵³. The decision on whether a project is not substantially completed is at the discretion of the EIB's Projects Directorate

⁵² As per EIB's internal procedures, it is up to PJ to determine what a "substantial completion" for a given project is, in order to avoid late financing. This provision is particularly important in the case of large schemes, which should not be substantially completed at the moment of the allocation request in order to satisfy the ex-ante approval requirement.

⁵³ The re-financing of projects is an acceptable outcome as projects within an investment programme proceed at different speeds and some may be completed at an early stage. Further to this, re-financing is relevant for achieving SPL objectives, providing a sufficient number of projects remain to be financed under an OP.

(PJ). For instance, for one SPL operation signed towards the end of the 2007-13 programming period, the EIB required that eligible projects could be no more than 50% implemented as of September 2012 (a year before the signature of the SPL). This requirement helped mitigate the risk of late financing, while focusing the SPL on supporting the implementation of ongoing but delayed projects, hence bringing the OP back on schedule.

Liquidity needs of promoters were particularly high in the case of non-recurrent and large projects, for which cash-flow needs are expected to peak during specific periods; liquidity needs were less prominent in the case of smaller projects financed via calls for proposals⁵⁴. The degree to which SPL operations kick-start, accelerate or bring back on track the implementation of a set of projects falling with OPs is indeed influenced by the volume of and time at which cash flow for a public investment is needed:

- **Investment plans**, typically consisting of large transport and energy infrastructure projects, usually have most of their cash flow needs towards the end of project implementation. The provision of liquidity via the SPL may be critical in such instances to pre-finance operations on a large scale (i.e. sign procurement contracts) and cover the payment needs of projects as they approach completion.
- **Programme-based plans**, usually managed at a ministerial level, have designated budgets often approved on an annual basis. In such instances, the provision of liquidity via the SPL may support the pre-financing of the entire programmes (which may have only been partially deployed in the absence of an adequate volume of financing). Furthermore, the provision of liquidity may also support the yearly cash flow needs of projects.
- **Projects financed following calls for proposals** usually have more predictable budgetary forecasts than investment and programme-based plans, as they often use unit-based criteria (e.g. support per hectare or per unit) and concern relatively small individual projects. The need for the liquidity provided via the EIB's SPL to cover for cash-flow needs is less prominent in this context. In such instances, allocation requests to the EIB are based on forecasts, not on actual payments to final beneficiaries (as is often the case for Rural Development Programmes).

However, in certain Member States and regions SPL operations were designed in order to support the timely implementation of OPs, but not to kick-start their implementation. In another Member State, this was explained by the absence of severe liquidity constraints, owing to the Member State's: (i) relatively stable macroeconomic and budgetary context experienced during the 2007-13 programming period (see Box 1); and (ii) the availability, at the time, of financial alternatives to SPLs (although at a higher cost). For the operation signed towards the end of the 2007-13 period, the effect on kick-starting activities was limited.

⁵⁴ Open calls for proposals invite companies, local municipalities or non-governmental organisations, depending on the measure, to apply for funds for projects that help to achieve the objective of the plans.

6. THE EFFECTIVENESS AND SUSTAINABILITY OF SPLS

The effectiveness of SPLs is evaluated by assessing the extent to which SPL operations have:

- **Delivered their expected outputs of:**
 - Supporting Member States or regions in securing their co-financing for eligible projects, by transferring liquidity to borrowers at favourable terms (section 6.1); and
 - Supporting promoters in addressing any shortcomings in terms of their capacity to manage and implement the SPL, in developing a broader and higher quality pipeline of eligible projects, notably by providing TA as a component of the SPL (section 6.2).
- **Achieved their expected outcomes of:**
 - Allowing promoters to kick-start, accelerate or bring back on track the implementation of their OPs (section 6.3); and
 - Generating a signalling effect, by either encouraging new financiers to engage with the borrower or existing financiers to engage with the borrower at favourable terms (section 6.4).
- **Contributed to their expected impact** of supporting the completion of eligible projects that contribute to the fulfilment of OP objectives which, ultimately, support the achievement of EU Cohesion Policy objectives (section 6.5).

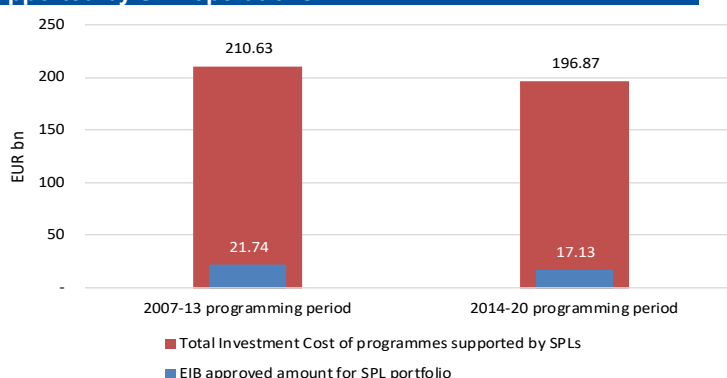
In section 6.6, the extent to which the effects of SPL operations are likely to be sustained is evaluated in terms of: (i) the ability of borrower to repay the loan; (ii) the adequacy of provisions for monitoring the durability of projects, and (iii) the sustainability of effects beyond the completion time of projects co-financed by the SPL operations.

6.1 Securing national or regional co-financing under OPs (expected output)

In this section, it is found that the EIB's SPLs have made a sizeable contribution to the investment programmes that they support; hence, SPLs tend to play a key role in the securing of funds for national or regional co-financing under OPs. However, as expected, SPLs relating to the 2007-13 programming period (which has ended) have been utilised to a far greater extent than those relating to the 2014-20 programming period (which is ongoing).

As illustrated in Figure 11, approved amounts for the EIB's SPL portfolio total approximately EUR 40 bn over the two programming periods, and contribute to supporting programmes with a total investment cost of *circa* EUR 400 bn. **As such, SPLs make a sizeable contribution (≈10%) to the total cost of the investment programmes that they support**, and so tend to cover a major share of the national co-financing obligation.

Figure 11 - Comparing EIB approved amounts for SPL operations to the total investment cost of programmes supported by SPL operations



Source: EV, data as of 31 December 2016

Table 8 provides a summary of the utilisation status of SPLs during the 2007-13 and 2014-20 programming periods. **The high level of disbursement for the 2007-13 programming period (84% of the total signed amount) infer that SPLs have delivered their expected output of providing liquidity to Member States or regions in order to secure their expected share of co-financing for eligible projects under OPs.**

Table 8 - Utilisation status of SPLs over the two programming periods

Progress ⁵⁵	2007-13 programming period		2014-20 programming period	
	# of SPLs	Amount (EUR bn)	# of SPLs	Amount (EUR bn)
Total approved	38	21.74	28	17.13
Fully signed	36	20.59	13	5.39
Partially signed	0	-	13	4.34
<i>To be signed</i>	<i>0</i>	<i>-</i>	<i>15</i>	<i>7.40</i>
<i>Operation "Caduque"</i> ⁵⁶	<i>1</i>	<i>0.65</i>	<i>0</i>	<i>-</i>
<i>Cancelled before signature</i> ⁵⁷	<i>3</i>	<i>0.59</i>	<i>0</i>	<i>-</i>
<i>FX adjustment</i>	<i>1</i>	<i>-0.08</i>	<i>0</i>	<i>-</i>
Total signed	36	20.59	26	9.73
Fully disbursed	32	16.03	2	0.88
Partially disbursed	3	1.19	15	2.96
<i>To be disbursed</i>	<i>3</i>	<i>0.61</i>	<i>24</i>	<i>5.88</i>
<i>Cancelled after signature</i> ⁵⁸	<i>11</i>	<i>2.77</i>	<i>0</i>	<i>-</i>
Total disbursed	35	17.22	17	3.84
Fully reimbursed	1	0.34	0	-
Partially reimbursed	14	1.27	0	-
<i>To be reimbursed</i>	<i>34</i>	<i>15.61</i>	<i>17</i>	<i>3.84</i>
Total reimbursed	15	1.61	0	-

Source: EV, data as of 31 December 2016

Legend: **Text in italics** denotes that figures are not included within the calculation of total amounts

For the 2014-20 programming period, in absolute terms, disbursed amounts are currently significantly lower than equivalent figures for the 2007-13 programming period, but are expected to increase as:

- Until the end of 2016, greater emphasis was placed on spending allocated funds under SPLs relating to the 2007-13 programming period (in accordance with the N+2 or N+3 rule, see Key terms). Only thereafter was priority given to mobilising funds allocated under SPLs for the 2014-20 programming period;
- The late conclusion of the 2014-20 MFF negotiations had a knock-on effect on the adoption and implementation of Partnership Agreements, OPs and, ultimately, SPLs⁵⁹; and
- There are several SPL operations for the 2014-20 programming period that are currently under appraisal and are therefore not included in the table above. Subject to their approval, signatures and disbursements will likely arise at a later stage in the programming period.

⁵⁵ Definitions of the various degrees of utilisation are provided in the Key terms section of this Thematic Evaluation Report.

⁵⁶ An operation becomes "caduque" when the EIB's Board of Directors' approval to finance an operation lapses if no contract is signed with the borrower within a given period of time.

⁵⁷ Full and partial cancellations before signature were caused by, *inter alia*, timing mismatches between financing and the projects supported.

⁵⁸ Full and partial cancellations after signature were caused by, *inter alia*, prior disbursements proving sufficient for the portfolio of allocations and the implementation of the OPs, large projects being cancelled, and the borrower's receipt of emergency funding from other sources.

⁵⁹ European Parliament (2017) Texts adopted on the delayed implementation of ESI Funds operational programmes – impact on cohesion policy and the way forward, P8_TA(2017)0055.

6.2 Addressing shortcomings in promoter capacity (expected output)

This section explains how the EIB has delegated certain appraisal and monitoring tasks to promoters in order to facilitate the deployment of SPL operations. In the past, this approach was fitting for strong promoters with the capacity to manage and implement SPL operations adequately; but was largely incompatible for promoters with insufficient capacity. In order to counter the risk of SPL operations being managed and implemented inadequately by promoters, the Bank has applied mitigation measures. In addition, to build capacity amongst weaker promoters, the Bank has provided technical assistance (TA), both as a component embedded within an SPL operation and as an entirely separate but complementary activity. However, the application of risk mitigation measures and TA to SPL operations has not been systematic.

As the EIB's business model is not suitable for directly intervening in the appraisal of thousands of small and mid-sized projects, the Bank foregoes a centralised approach that would inevitably lead to bottlenecks, in favour of a delegated approach. To facilitate this delegated approach, the EIB appraises the capacity of potential promoters⁶⁰ to implement certain appraisal and monitoring tasks that are traditionally performed by the Bank itself.

The Bank has, over the period covered by this evaluation, been deterred from delegating tasks to promoters with insufficient capacity. In some of the instances when the EIB has engaged with such promoters, the Bank has deployed customised mitigation measures or TA. For instance, the Bank has drawn on risk mitigation measures in two Member States:

- In one country, where the SPL has been implemented via a ring-fenced account, which has project-oriented funds earmarked exclusively for final beneficiaries supported within the context of the country's NSRF and Partnership Agreement.
- In another country, where the EIB applied specific procedures for mitigating risks relating to public procurement that were identified during operation appraisal. The specific procedures entailed (i) an ex-ante review of all projects with a cost exceeding EUR 10 m with an option for an individual appraisal carried out by the Bank's services (whereas the threshold is typically defined as EUR 25 m for other SPLs) and (ii) an ex-ante approval for all transport sector projects, regardless of their size.

Over the period covered by this evaluation, the Bank has provided TA in support of three SPL operations (in Greece, Bulgaria and Romania).

In the case of Greece, its EUR 2.05 bn SPL had an **embedded TA component**, which involved: the permanent detachment of an EIB staff member to a Project Implementation Unit (PIU) situated within Greece's Ministry of Economy, Development and Tourism; and ad-hoc technical support from the EIB's headquarters in Luxembourg. The decision to provide TA to Greece within the context of an SPL owed to several factors, including: the borrower's request and willingness to pay for TA; the political will to provide support to Greece during a testing economic and financial period for the country; and the size of the loan, as it is the second largest SPL in the portfolio of operations covered by this evaluation. The TA proved effective in Greece as it: (i) improved project risk assessments through the formulation of a Risk Assessment and Mitigation Action Plan; (ii) improved project design, as more than 200 projects were inspected, leading to the identification of reference projects, project improvements (whether in terms of quality, scale and/or timing), as well as project cancellations; and (iii) improved management practices, facilitating the implementation of the expected pipeline of projects, leading to the full disbursement of the EUR 2.05 bn loan by December 2015. Yet although the TA provided to Greece was labelled as a "pilot project"⁶¹, suggesting it could be replicated in other countries, to date this has not been the case. This owes to the high level of human resources committed to this SPL, which are not replicable at a reasonable cost for smaller-sized SPL operations.

⁶⁰ All entities managing and/or implementing projects under an OP are potential promoters under SPLs.

⁶¹ Van der Zwet, A. et al. (2016). Research for REGI Committee – Review of the Role of the EIB Group in European Cohesion Policy, p.41.

With regard to the cases in Bulgaria and Romania, Memoranda of Understanding have been agreed with their respective administrations to implement a Project Advisory Support Unit (PASU)⁶², which aims to improve the absorption of European Structural [and Investment] Funds, increase institutional capacity, and therefore contribute to the faster disbursement of EIB loans. **This technical support is not embedded within the SPL, but is financed through the TA envelope of the Member States' OPs.**

Beyond Greece, Bulgaria and Romania, the EIB's interaction with promoters has mainly focused on appraising the project allocations submitted to the EIB. As a result, informal technical contribution provided by the EIB has largely been anecdotal⁶³.

Yet, in some cases, the EIB's appraisal of prospective SPL operations identified risks in terms of the technical capacity of the promoter that were not systematically mitigated through appropriate measures. The first SPL implemented in Croatia exemplified this as, given the perceived challenge of the promoter meeting implementation deadlines, and the fragmentation of competent authorities and implementing bodies, it was proposed that additional TA and training would be required to support the PIU in relation to the EIB loan. However, the provision of TA was not converted into a disbursement condition or an SPL component, and so the risk was not mitigated⁶⁴. Ultimately, the identified capacity issues may have contributed to Croatia's low absorption rate of European Structural Funds during the 2007-13 programming period (see Figure 14 on page 40)⁶⁵.

This evaluation acknowledges that EIB Services have updated SPL-related procedures, and are deploying a more systematic approach for assessing promoter capacity and determining the extent of delegation. However, **a more rigorous approach to building promoter capacity and mitigating corresponding risks is advised.** The emerging approach is illustrated in Figure 12. The characteristics of the investment programme supported by the SPL, whether in terms of the maturity of its underlying projects, the environmental and social risks that it poses, as well as the complexity of the procurement that it will undertake.

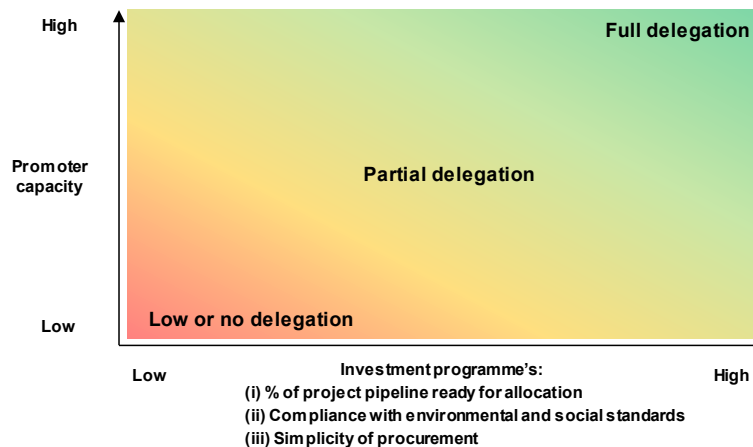
⁶² The PASU provides flexible and targeted advisory support to Member States and is financed by European Structural [and Investment] Funds with the objective of improving the rate and quality of absorption of such funds. PASUs have been ongoing in Romania and Bulgaria since 2012. Their activities include assignments relating to the closure of previous OPs, the implementation of projects under OPs and the fulfilment of ex-ante conditionalities.

⁶³ In a specific case, for example, the EIB required a cost-benefit analysis (CBA) of mid-sized projects and a detailed assessment of the demand-side for the infrastructure that would be financed. This approach is now being widely used by the country's administrations benefitting from the European Structural and Investment Funds during the 2014-20 period, in order to improve decisions on the scope of investments; despite the EC not requiring this level of detail for feasibility studies or a CBA for small and mid-sized projects (less than EUR 50 m). Similarly, for urban wastewater projects in another Member State, the EIB required cost-benefit analyses on mid-sized projects as well as an assessment on the willingness of potential users to connect to the wastewater networks. Both types of studies, which were not part of the technical documentation traditionally required by the promoter from the final beneficiaries, are now systematically applied.

⁶⁴ Only the risk identified in relation to public procurement was addressed through mitigation measures.

⁶⁵ In the context of EU accession, Croatia was granted one additional year for the implementation of 2007-2013 Structural Funds allocations.

Figure 12 - Overview of the EIB's approach to delegation via SPLs



Source: EIB, adapted by EV

6.3 Kick-starting, accelerating or bringing back on track OPs (expected outcome)

This section finds that SPL operations have had a decisive effect in kick-starting or accelerating projects under OPs; particularly those that are financed under large investment plans or programme-based plans. Overall, SPLs made a substantial contribution to the overall implementation of OPs relating to the 2007-13 programming period. Lastly, with regard to the ongoing 2014-20 programming period, the EIB has engaged in a relatively high volume of SPL operations; indicating that the Bank is ready to support the implementation of OPs, and the timely and regular expenditure of ESIFs for eligible projects.

SPL operations have had a decisive effect in kick-starting large investment plans and programme-based plans within an OP(s), notably in smaller EU economies, which at the time of the SPL's signature had difficulties in mobilising sufficient financing. This kick-starting effect was exemplified by:

- **Projects falling within investment plans**, e.g. within its OP, one Member State had already approved the co-financing of new rolling stock and a train depot, but budgetary resources were insufficient at the time. This Member State struggled to attract other financiers given the project's long payback period (due for 2022-23). Thus, the EIB's SPL allowed the project to commence, otherwise it would have been subject to delays. Similarly, another Member State had planned to co-finance 13 large infrastructure projects (with a budget of more than EUR 10 m per project) in the following sectors: environment, transport, and regional competitiveness. Without the SPL, this Member State would have likely launched the projects in separate batches (in order to stagger the cash flow needs of all of the projects) or would have postponed entire projects. Yet the SPL operation allowed all of the projects to be launched simultaneously.
- **Projects falling within programme-based plans**, e.g. in the context of the recent economic and financial crisis, the co-financing of programme-based urban wastewater projects in one Member State would have been reduced in scale, or would have been financed by commercial banks at less favourable terms (both in terms of interest rate and maturity profile) had it not been for the EIB's SPL.

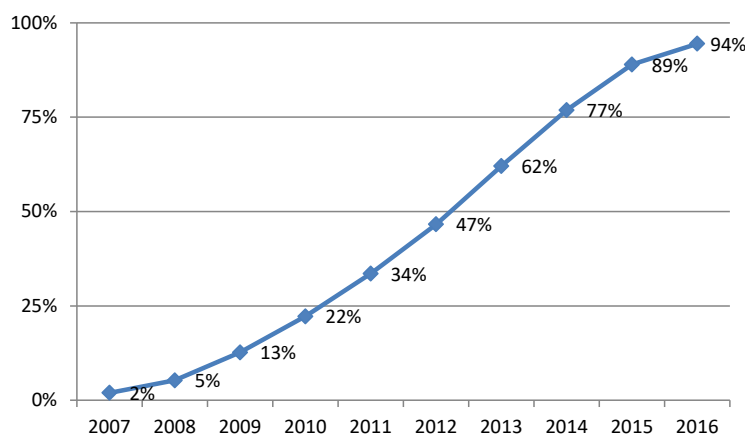
SPL operations also allowed projects to be deployed at a faster pace by providing an adequate volume of liquidity to borrowers, notably for large investments. This was best exemplified by Greece's PATHEP Railway Corridor as, without the EIB's support via the SPL, the implementation of the project in a timely manner would have been at risk, as Greece had been excluded from the capital markets and was entering a critical phase (2011-2015) in the programming period.

The individual evaluation of operations identified three cases in which borrowers could have mobilised alternative sources to secure their co-financing obligations for their respective OPs,

though with less favourable conditions (notably in terms of maturity). However, in such cases, SPL operations allowed the counterparts to meet their national co-financing obligations and to implement projects at a faster pace. The SPL operations were therefore conducive to borrowers launching, without delay, planned investments that would otherwise have been postponed and/or for which MAs might have failed to respect the “n+2 or 3” rule (see Key terms) relating to the spending of committed Structural Funds.

As indicated in section 6.1, SPL operations contributed significantly to addressing the financial constraints of borrowers, as they made a sizeable contribution ($\approx 10\%$) to the total cost of the investment programmes that they support. **SPLs therefore made a substantial contribution to the overall implementation of the respective OPs**, whose absorption of ESFs was initially slow but increased rapidly during the latter half of the 2007-13 programming period (see Figure 13). One of the primary reasons for the delay in absorption was the late agreement on the MFF, which led to subsequent delays in negotiations relating to EU Cohesion Policy strategic documents (the NSRFs and the OPs); most OPs were adopted in 2007, and some only at the very end of the calendar year. The late start in the implementation of the OPs was also coupled with the worsening macroeconomic and financial capacity of Member States and regions during the unprecedented economic downturn and global financial crisis⁶⁶.

Figure 13 - The EU's absorption rate of European Structural Funds during the 2007-13 programming period

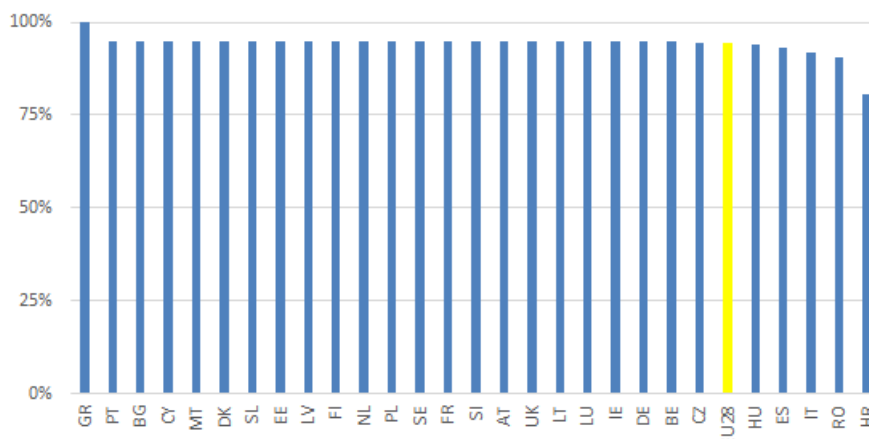


Source: European Structural and Investment Funds Open Data Platform

The beneficial effects of SPLs in terms of absorption during the 2007-13 programming period were most noticeable in Greece. The difficulties faced by Greece in securing national co-financing for its OPs came to the fore when the European Parliament, on 6 October 2015, backed two measures that allowed Greece to finish projects initiated during the 2007-13 programming period. One measure involved removing the need for national co-financing because the EU funding contribution was raised to 100%; a unique case amongst EU Member States (see Figure 14). During this period, the SPL continued to provide support to NSRF projects that had been pre-approved by the EC and were implemented. Thus, this SPL made a significant contribution to the national co-financing obligations of Greece prior to the European Parliament's decision and, following on from this, Greece's SPL for the 2014-20 programming period accommodated the Member State's constrained liquidity environment by allowing it to exceed the cumul rule's 90% ceiling.

⁶⁶ Report by the Working Group on the Role of Commercial Banks in the Absorption of EU Funds, the European Bank Coordination (“Vienna”) Initiative, 16-17 March 2011, Brussels.

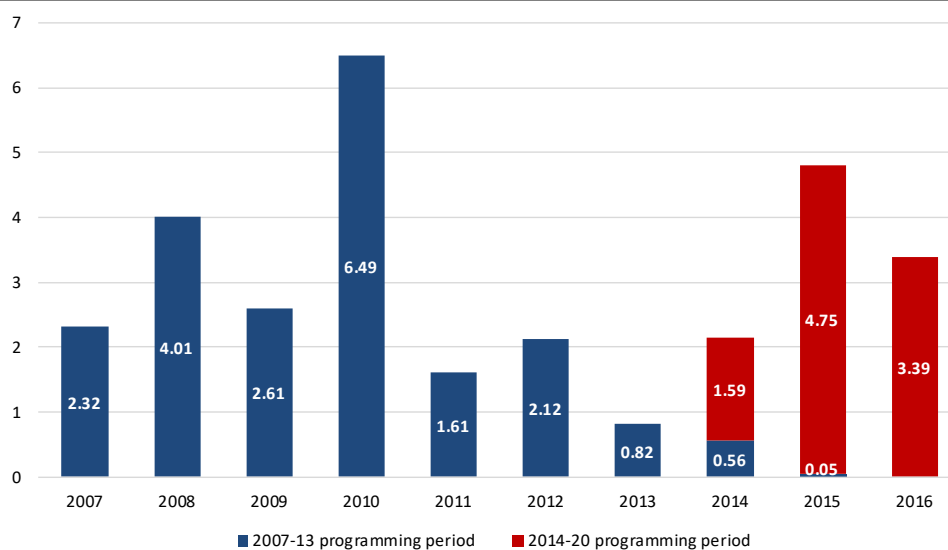
Figure 14 - Absorption rate of each Member State for the 2007-13 programming period



Source: European Structural and Investment Funds Open Data Platform⁶⁷

For the 2014-20 programming period, SPLs have demonstrated a readiness to kick-start the implementation of OPs. This is indicated in Figure 15, which illustrates how almost EUR 10 bn of financing provided under SPLs was signed within the first three years of the 2014-20 programming period; compared to five years for the equivalent amount under the 2007-13 programming period. Generally speaking, this is considered to be a positive development as the effectiveness of SPLs is greatest when they support the kick-starting of the implementation of OPs as, in such cases, they are then more likely to contribute to the timely and regular expenditure of European Structural and Investment Funds on eligible projects that support EU Cohesion Policy objectives.

Figure 15 - SPL signed amount by year and programming period (in EUR bn)



Source: EV, data as of 31 December 2016

6.4 Sending a signalling effect to other financiers (expected outcome)

This evaluation finds that the EIB's signalling effect is limited to a few stakeholders, and does not necessarily endure for other financiers. This may be attributed to the low visibility of the EIB post-SPL signature; especially for large projects for which the EIB has made a significant contribution in volume terms. However, it must be noted that the low visibility of the Bank may not be specific to its SPL product.

⁶⁷ Accessed on 25 June 2017.

The EIB's signalling effect to other financiers that may be willing to support the national co-financing share of OPs is limited. The EIB communicates on its contribution to Member State or regional co-financing obligations during SPL contract signature via press releases, and the Bank has recently produced a brochure on regional lending. However, the visibility of the Bank through these lines of communication only endures for a few stakeholders following contract signature, namely: the borrowers receiving the EIB loan (typically Ministries of Finance or regional equivalents), the promoters implementing the investment programme supported by the SPL, and final beneficiaries responsible for the physical implementation of large projects (as large projects must undergo a detailed appraisal akin to those undertaken by the EIB for Investment Loans).

Yet the low visibility of the EIB post-signature is not necessarily restricted to SPLs, but may also apply to operations located within the EU that are financed by other EIB products. However, unlike other EIB products, SPLs present distinctive avenues of communication for the promotion of the EIB and its support of EU Cohesion Policy objectives. For instance, in order to increase awareness of the product at the level of EU institutions, the Bank has already *inter alia*:

- Produced an SPLs factsheet⁶⁸, co-created with the EU's Committee of Regions; and
- Provided input for the recently published Seventh Report on economic, social and territorial cohesion⁶⁹.

Finally, **in the case of large projects supported by SPLs, the EIB does not have on-site visibility requirements, despite the Bank's significant contribution to their total investment cost** (whether in volume and/or percentage terms). One unexplored channel for increasing the EIB's visibility through SPLs is the EC's well-developed information and communication rules for EU Cohesion Policy⁷⁰. These rules encourage EU Cohesion Policy activities to have the widest possible media coverage, using various forms and methods of communication, at the appropriate level.

EU "signboards" are a common medium of communication for projects supported by European Structural [and Investment] Funds, as they typically present the EU's flag alongside basic information on the project itself. Yet there is no acknowledgement of the Bank on EU signboards for large projects supported by SPL operations. For instance, the PATHEP Railway Corridor in Greece – which is a priority TEN project that also supports the OP on Improvement of Accessibility and some regional OPs – received an EUR 1 bn allocation within the context of Greece's SPL for the 2007-13 programming period. Nevertheless, the EIB is not acknowledged on EU signboards relating to the project, despite the promoter – if asked – having no objection to doing so.

6.5 Contributing to the objectives of OPs (expected impact)

From a methodological standpoint, determining the extent to which an SPL operation has contributed to the achievement of OPs' objectives is a complex exercise. SPL operations support the national co-financing of a set of projects within an OP(s). A counterfactual analysis (comparison of a situation with versus without an SPL operation) for each operation would be unreasonable bearing in mind the constraints of this evaluation. Hence, this evaluation has applied a contribution analysis, whereby an SPL operation is considered to have contributed to broader impacts at the level of OPs – albeit to a non-quantifiable degree – if all of the following three conditions are met: (i) the EIB has disbursed the loan, (ii) the projects co-financed have been completed and are financially and operationally sustainable, and (iii) the OPs have achieved their expected objectives.

The analysis of the two first conditions was conducted for the SPL operations subject to individual evaluations (see section 4). It has its own limitations, as the extent to which projects are financially and operationally sustainable could only be exemplified for a non-representative set of projects,

⁶⁸ EIB and the EU Committee of Regions. (2016). Structural programme loans: additional financing for regional investment, Factsheet.

⁶⁹ EC, DG REGIO. (2017). Seventh report on economic, social and territorial cohesion: My Region, My Europe, Our Future.

⁷⁰ EC. (2014). Ensuring the visibility of Cohesion Policy: Information and Communication Rules 2014-2020.

and can only be established a few years after completion (most projects financed under the 2014-20 programming period are yet to be completed). As regards the third condition, this evaluation does not have the resources to assess the performance of each OP supported, and as such relies on evaluations or impact studies conducted in the framework of European Structural [and Investment] Funds, usually undertaken by the EC.

The review of the three conditions for an SPL to contribute to OP's objectives finds that:

- The first condition is met: The EIB has satisfactorily disbursed its loans for the 2007-13 programming period, and remains ready to disburse signed loans for the 2014-20 programming period (see section 6.1).
- The second condition is met: By addressing the insufficient financial capacity of Member States or regions, the SPL's provision of liquidity has allowed promoters to kick-start, accelerate or bring back on track the implementation of their projects under OPs. In addition, available data suggests that the projects co-financed have been completed (see section 6.3).
- The third condition is only *partially* met: The existing evaluations of European Structural Funds conclude that OPs played an important countercyclical role in many EU Member States during the 2007-13 programming period. However, the overall performance of OPs partially suffered from a lack of capacity amongst MAs in a number of Member States. These aspects are further elaborated below.

While the financial and economic crisis led to severe pressure on public finances and cutbacks in transfers to local authorities in many parts of the EU, European Structural Funds during the 2007-13 programming period were an important source of financing for public investment. Macroeconomic models used for the EC's ex-post evaluation of Cohesion Policy programmes for the 2007-13 programming period estimate that the expenditure under OPs in the EU12 led to a GDP increase in 2015 that was 4% above what it otherwise would have been⁷¹. For the countries in which individual evaluations were deployed, the available studies and reports highlight that OPs were, in general, reaching their objectives for the period 2007-13⁷².

However, the EC's ex-post evaluation also found evidence that the achievement of OP objectives was affected by a lack of capacity in MAs in a number of countries; due to inexperience in several EU12 Member States and high staff turnover and institutional inefficiencies. In Croatia, an accession country until July 2013, absorption capacity problems were also reflected in its slower economic recovery as compared to other Central European countries, which had faster and higher absorption rates of available EU funding, thus better stimulating the rates of their respective economic growth⁷³. For the 2014-20 period, the capacity of MAs to manage programmes is a focus area, and ex ante conditionalities have been introduced to try to ensure that MAs have sufficient capacity to efficiently manage and implement their respective OPs.

⁷¹ EU Cohesion Policy funding, as a source of finance for development expenditure, was particularly crucial in the new Member States that joined the EU in 2004 and 2007 (EU12) and the four southern EU15 Member States (Greece, Italy, Spain and Portugal). In total, over the 2007-13 programming period, EUR 269.9 bn from the ERDF and Cohesion Fund was devoted to EU Cohesion Policy. In nine of the EU12, the amount of ERDF and Cohesion Fund was between 35% and 57% of public investment; and in Romania and Slovenia, as well as Portugal, it was around 25-28%. Source: European Commission, Directorate-General for Regional and Urban Policy (August 2016) Ex post evaluation of Cohesion Policy programmes 2007-2013, focusing on the European Regional Development Fund (ERDF) and the Cohesion Fund (CF) - WP1: Synthesis report.

⁷² For example, an independent evaluation of 2007-13 funding in Estonia found that EU Cohesion Policy investments had positive, tangible results ranging from job creation, a positive impact on regional disparities and an increase in GDP (Source: CDP and RAKE, 2011). A similar conclusion was reached for Hungary where Community funds essentially became the sole driving force for economic growth and job creation in Hungary during the financial crisis. Significant positive effects on job creation and GDP increase as a result of the realisation of the 2007-2013 OPs were also identified in Bulgaria (Source: Nyikos, 2013). Finally in Croatia, the interim evaluation of grant projects under the Regional Competitiveness Operational Programme 2007-2013 notes that by 2016 most target values of the programme would be achieved.

⁷³ Evaluation report on the efficiency and effectiveness of the Grant Projects under IPA RCOP 2007-2013.

Thus, this evaluation finds that, overall, **the liquidity provided by SPL operations was a necessary but not sufficient condition for OPs to achieve their objectives for the 2007-13 programming period.** However, it is also noted that the availability of sufficient financing for the implementation of OPs is not the sole factor determining whether eligible projects are managed, implemented and completed appropriately. For instance, the capacity of MAs is central to OPs being managed and implemented in an adequate manner⁷⁴, and their completed investment programmes ultimately contributing to the achievement of EU Cohesion Policy objectives.

6.6 Sustainability of the effects of SPL operations

This section assesses the extent to which the effects of SPL operations are likely to be sustained in terms of:

- The ability of the borrower to repay the loan and the borrower's general debt capacity;
- The adequacy of provisions for monitoring the durability of projects, notably in terms of maintenance;
- The sustainability of effects beyond the completion time of projects co-financed by the SPL operations.

This evaluation deems the analyses of borrowers' debt capacity undertaken by the EIB at appraisal stage to be adequate. With regard to sovereign debt, EU Member States may be subject to Excessive Deficit Procedures (governed by Article 126 of the Treaty on the Functioning of the European Union) in cases where their budget deficit exceeds 3% of GDP or public debt exceeds 60% of GDP. In such instances, EIB SPLs have aligned with EU debt monitoring procedures. For instance, the EIB and the Government of Croatia agreed that the SPL for 2014-20 period would be disbursed in two tranches, the second one being available later in the programming period, conditional upon the progress made by the Member State on managing the Excessive Deficit Procedure initiated by the EC in January 2014⁷⁵. Given the fact that Croatia was still in the Excessive Deficit Procedure when the SPL was signed, splitting the SPL was an appropriate way for the Ministry of Finance to manage its debt ratio.

Overall, in terms of debt capacity, and as indicated in Box 1, **the SPL operations analysed generally constituted a very small portion of the total debt of borrower countries** at the time of signature, and did not significantly reduce their capacity to borrow. However, information collected via Eurostat (debt to GDP ratio) and Moody's (credit ratings) on EU Member States engaged in SPL operations show that, for the last three years, a group of countries (Greece, Cyprus, Portugal, and Croatia) have non-investment grade credit ratings and high debt to GDP ratios.

As for regional borrowers, (applicable to 6 operations with Spanish regions, 3 with Italian regions and 1 with a German region, during the period covered by this evaluation), the EIB's appraisal includes an analysis of the legal and institutional framework applicable to regional borrowers. As an illustration, in the case of one regional SPL in the sample, the EIB took note of the legal framework for debt capacity and analysed measures taken by the National Government over recent years aimed at reinforcing budget stability and public debt control.

⁷⁴ As promoters of SPL operations also often undertake the role of a Managing Authority, there is often a link between the efficient management and implementation of an SPL's investment programme and an investment programme supported within the context of an OP.

⁷⁵ On 28 January 2014, following a recommendation from the EC, the Council decided, by Decision 2014/56/EU, in accordance with Article 126(6) of the Treaty, that an excessive deficit existed in Croatia. The Council noted that the general government deficit planned for 2014 was 5.5 %, thus above the 3 %-of-GDP Treaty reference value. In 2016, the general government deficit reached 0.8 % of GDP, from 3.4 % in 2015. That improvement was mainly driven by: (i) rising revenue on the back of strong GDP growth and (ii) a restraint on the expenditure side. The EC 2017 spring forecast projects the debt ratio to decrease further to 79.4 % in 2018, backed by strong nominal GDP growth. On 12 June 2017 the excessive deficit procedure for Croatia was abrogated.

Provisions for monitoring the durability of projects are clearly defined both at the level of OPs and in the EIB's finance contracts. The “durability” of operations is required by Council Regulation (EC) No. 1083/2006 (Article 57), which states that the MA shall ensure that an operation retains the contribution from the EU Funds only if that operation does not, within five years from the completion of the operation⁷⁶, undergo a substantial modification. MAs usually refer to Article 57 in their contracts with beneficiaries and usually perform site visits after project completion on a sample basis with the objective of assessing sustainability. In addition, ex-ante evaluations are used to assess the adequacy of human resources and administrative capacity for management of the programmes, including for ensuring adequate monitoring (Common Provisions Regulation, Article 55(3)). Ongoing evaluations usually include assessments of the administrative capacity of MAs and the expected sustainability of the interventions. Ex-post evaluations have a special focus on the financial sustainability of investments⁷⁷.

The EIB deploys its own standard procedures in addition to the provision of the Council Regulation. EIB Services scrutinise the mobilisation of adequate resources for maintenance at the appraisal stage of the SPL, for the sectors in which the SPL is expected to engage. Furthermore, as per the EIB's finance contract, the Promoter is obliged to inform about any incidents that might put at risk the actual maintenance and use of the projects. The EIB's Project Directorate is tasked to ensure that the projects co-financed will be properly maintained, but realistically it does not have the resources to examine all of them. Services' assessment is therefore done on a sample basis. The site visits performed as a part of this evaluation, however, indicated that the limited EIB resources mobilised for monitoring SPLs (see section 7.3) did not allow the EIB to conduct proactive monitoring on the sustainability of projects supported by SPLs.

With regard to the sustainability of effects beyond the completion time of projects falling within an OP, the EC's ex-post evaluation of EU Cohesion Policy under the 2007-13 programming period has raised concerns with regards to the financial sustainability of major infrastructure⁷⁸. However, as indicated in Table 4, the EIB applies for medium projects and large projects (whose total eligible costs exceed EUR 25 m and EUR 50 m respectively) a detailed appraisal of the dossier provided by the borrower or promoter. Large projects are in addition submitted to the EIB's Board for approval. This evaluation considers that these **EIB procedures for appraising large projects enable the Bank to mitigate the risk of financing unsustainable projects.**

⁷⁶ Or three years from the completion of the operation in Member States which have exercised the option of reducing that time limit for the maintenance of an investment or jobs created by SMEs.

⁷⁷ For example, Ex post evaluation of Cohesion Policy programmes 2007-2013, focusing on the European Regional Development Fund (ERDF) and Cohesion Fund (CF) – Work Package 5: Transport

⁷⁸ Applica and Ismeri Europa (2016). WP1: Synthesis report Ex post evaluation of Cohesion Policy programmes 2007-2013, focusing on the European Regional Development Fund (ERDF) and the Cohesion Fund (CF).

7. THE EFFICIENCY OF SPLS AND THE EIB'S LIFECYCLE MANAGEMENT

This section assesses the extent to which the costs of providing and managing SPLs has been commensurate to the benefits (financial and non-financial) realised by the EIB, borrowers and promoters. This section therefore covers:

- For EIB counterparts, their perception on the extent to which managing costs and administrative requirements of dealing with the EIB are commensurate with the benefits, as well as the degree of flexibility of the product to address uncertainty as regards the projects that will ultimately be approved.
- For the EIB, the extent to which revenues from SPLs cover the Bank's administrative costs and the performance of the EIB in managing SPL operations through their lifecycle.

7.1 For EIB counterparts: benefits vs. costs of managing an SPL

For EIB counterparts, the administrative cost of dealing with procedures is often difficult to quantify in financial terms; and when such information is available to the borrower (e.g. time and attendance record-keeping), it remains confidential. As a proxy, this evaluation asked borrowers and promoters to share their perception on the benefits of receiving an SPL as compared to its costs. The benefits were unanimously perceived as outweighing administrative costs, as drawing on EIB financing generates limited additional data collection costs for the borrower, promoter and final beneficiaries, as most data requirements are in line with EC requirements for the implementation of the OPs.

The presence of proactive EIB staff, who are knowledgeable of the geographies in which SPLs intervene, was an important factor for the successful implementation of SPL operations. Conversely, a lack of sufficient explanation on the reasons for the EIB to reject certain allocation proposals, particularly in relation to mid-sized and large projects, was highlighted by promoters. In addition, further explanation on the respective roles and involvement of the Bank's different Services (in particular the Operations and Projects Directorates) was identified by promoters as factors that would increase the quality of cooperation and communication between the EIB and its counterparts. Lastly, more attention should be paid to the handover of responsibilities for SPL operations from one EIB staff member to another.

The EIB and the EC have two separate decision making processes for supporting large projects (total investment cost above EUR 50 m). Despite promoters preferring to use documentation provided to the EC to justify the allocation of large projects by the EIB, the Bank continues to apply its own appraisal and approval procedures akin to those applied to EIB Investment Loans. Bearing in mind risks relating to the durability of major projects, as highlighted by the EC's ex-post evaluations for the 2007-13 period⁷⁹, this evaluation deems that **the EIB's additional level of scrutiny for supporting large projects is justified.**

Yet there is **room for further improving the efficiency with which SPLs support mid-sized projects, as the EIB's data requirements go beyond those of the EC.** Currently, the EIB requires detailed information on mid-sized projects (total investment cost between EUR 25 m and EUR 50 m), whereas the EC does not require equivalent information for projects of this size. Promoters must therefore seek additional information from final beneficiaries in order that they may adhere to the EIB's appraisal requirements. In addition, as the EIB's requirements go beyond what is collected by the EC, the requested data are not recorded in databases used for reporting to the EC. The MA and the final beneficiary therefore bear additional data collection costs for reporting to the EIB.

In addition to EU regulatory requirements relating to Environmental Impact Assessments (EIA), the EIB, assesses the ability of the counterpart to meet the Bank's Environmental and Social

⁷⁹ Applica and Ismeri Europa (2016). WP1: Synthesis report Ex post evaluation of Cohesion Policy programmes 2007-2013, focusing on the European Regional Development Fund (ERDF) and the Cohesion Fund (CF).

(E&S) standards during its appraisal process. Later in the lifecycle of an SPL, counterparts until recently transferred to the EIB all documentation relating to EIAs, regardless of the project size. By contrast, the EC only collects EIA-related documentation for projects of a certain size. Therefore, especially in the case of small and mid-sized projects, EIB counterparts were often obliged to transfer a large amount of documentation to the Bank, but not the EC. Thus, the Bank has recently adapted its procedures so that strong promoters⁸⁰ may submit a declaration to the EIB stating that all required EIA-related documents are made publicly available (in line with the Aarhus Convention⁸¹) and are accessible upon the EIB's request. **This approach of not systematically collecting EIA-related documentation is efficient as it reduces the amount of data transferred to the Bank by its counterparts, without hindering the EIB's ability to apply appropriate E&S controls.**

Finally, EIB counterparts raised concerns in relation to the complexity of the EIB's finance contracts, as they did not always have a clear understanding of all contractual provisions and available options, thus slowing the disbursement and allocation of the loans. Nevertheless, EIB Services remain readily available to respond to any of the counterpart's queries on the content of the finance contract during negotiations or anytime thereafter. Further to this, EIB Services offer training to the Project Implementation Unit during the kick-off meetings for SPL operations at the request of the counterpart.

7.2 Flexibility of the product to address incomplete information during appraisal and approval

The SPL product adapts to the degree of uncertainty relating to the projects that will ultimately be supported under the investment programme⁸². The flexibility of the product is exemplified by:

- The 123,539 small and mid-sized multi-sector projects supported in Greece by the SPL for the 2007-13 programming period, as EIB counterparts reported that the SPL afforded enough flexibility to accommodate the adjustments and changes reported, including: the identification of new reference projects; modifications to existing projects; the cancellation of existing projects; and the approval of projects identified after the EIB's signature of the operation.
- The EIB approved the allocation of projects that had a more complex structure than anticipated at signature. For instance, in one Member State a public water and wastewater project was expected to be financed by a loan from a national agency, but was ultimately supported by a municipal grant. The EIB approved this change as the municipal grant was provided via a transfer from the Ministry of Finance, and was therefore indirectly financed by the SPL. Hence, the EIB deemed the project to be eligible within the context of the investment programme supported by the SPL.
- The SPL in another Member State for the 2007-13 programming period, which did not have a "closed" list of projects, despite the condition laid down to only finance eligible projects that could be no more than 50% implemented as of a given date.

The SPL product allows for re-allocations amongst components of an investment programme after disbursements are made. The actual resources distributed to a given OP often differ from the expected amount, as priorities agreed between the MA and the EC may change over time. Flexibility in this regard is justified as MAs typically need to reallocate resources from one OP to another and between priorities axes during the course of implementation. The MA has to obtain EC approval to complete such a reallocation, and the EIB considers the EC's approval as sufficient. As such, amending an OP does not require counterparts to re-open SPL

⁸⁰ In terms of their E&S capacity and the riskiness of the investment programme being implemented from an E&S standpoint.

⁸¹ The United Nations Economic Commission for Europe (UNECE) Convention on Access to Information, Public Participation in Decision-Making and Access to Justice in Environmental Matters adopted in Aarhus on 25 June 1998.

⁸² This uncertainty is inherent to OPs, as the programme of projects is typically finalised over the course of OP implementation.

contractual discussions with the EIB, providing procedures, deadlines and eligibility criteria specified in the finance contract are respected. This feature will likely prove particularly beneficial for SPLs implemented during the 2014-20 programming period, as they typically cover more than one OP and are therefore more likely to be subject to re-allocations.

Flexibility is also illustrated by the quasi-systematic extension of SPL final availability dates. These extensions were attributed to general delays in the implementation of Ops and their underlying projects during the 2007-13 programming period. The Bank has demonstrated its ability to accommodate the varying speeds of implementation of European Structural [and Investment] Funds across Member States. For the 2014-20 programming period, the Bank has more systematically offered borrowers the option of splitting an SPL operation into two or more contracts, as it is difficult to predict with great accuracy the dynamics of the requests for funding of a large number of projects.

7.3 The EIB's coverage of administrative costs and management of operations

The vast majority of SPL operations have lending revenues (i.e. intermediation revenues and amortised appraisal fees) that cover the costs borne by the EIB⁸³. This positive cost coverage is largely explained by SPLs typically being big ticket operations (on average providing EUR 0.58 bn of EIB financing) and the EIB reducing its administrative costs by:

- Relying on EU Cohesion Policy delivery systems applied by Member States or regions for their OPs and their underlying projects; and
- Only requiring the ex-post approval of small projects. Conversely, costs increase for operations comprising a high number of mid-sized projects (appraised ex-ante on the basis of "project fiches") and large projects (which require a separate ex-ante approval from the EIB's Board of Directors, thereby requiring the drafting of specific appraisal factsheets and the undertaking of appraisal missions).

Of the 32 fully disbursed SPL operations relating to the 2007-13 programming period, **seven operations are not fully cost covered.** The operations concerned had major cancellations after operation signature, or were small in size (below EUR 75m); suggesting that there is a floor in terms of EIB financing for an SPL operation, below which the operation becomes inefficient from an EIB cost coverage perspective. In the current programming period, only one SPL operation has an approved loan amount below this indicative floor, and so time will tell if costs borne by the EIB are recovered.

The efficient administration of the operations is further increased from the EIB's viewpoint in cases where the SPLs are coordinated by a single entity, even when implementing agencies do not fall within the same entity (e.g. a single Ministry). If the EIB had to coordinate separately with each implementing agency, its management cost would increase significantly.

To address the issue of insufficient promoter capacity, and enlarge the universe of prospective SPL counterparts, a past evaluation by EV⁸⁴ deemed that the EIB should assign more resources to monitor⁸⁵ the allocations of weaker promoters, and fewer resources to monitor the allocations of more competent and well-established promoters. Aside from one SPL for the 2007-13 programming period⁸⁶, the EIB has budgeted a standard amount of internal human resources for monitoring SPLs, which is justified by the EIB relying on the EU Cohesion Policy delivery systems applied in the Members States and regions, and the lighter appraisal requirements for small projects. **This standard amount of internal resources proved insufficient** when (i) promoters

⁸³ Cost coverage = revenues ÷ costs. Cost coverage data was provided by EIB services.

⁸⁴ Operations Evaluation (2012) Ex post evaluation of the use of Framework Loans to finance EIB investments in the EU, 2000-2011: Synthesis Report.

⁸⁵ The monitoring sources used by the EIB to follow the progress of OPs and projects supported by SPLs include: (i) SPL Project Progress Reports (PPRs) and Project Completion Reports (PCRs) submitted by the promoter, (ii) OP annual implementation reports, (iii) OP audit reports, and (iv) minutes of OP Monitoring Committee meetings.

⁸⁶ This SPL was subject to a heightened level of monitoring activities by the EIB Services (annual visits to the Managing Authority) and a mid-term review of operation implementation.

lacked the capacity to comply with the EIB's monitoring and/or reporting requirements and (ii) mid-sized and large projects were submitted (for which the EIB had to conduct a more in-depth deferred appraisal); consequently, additional EIB resources had to be deployed.

The EIB has thus far had limited involvement in the Monitoring Committee meetings for OPs supported by SPLs. This is due to the limited number of EIB person-days allocated to monitor each SPL and many SPLs covering multiple OPs (hence, there are multiple Monitoring Committees in which the EIB may participate in an advisory capacity). According to EIB staff, there is limited added value in attending these meetings, as discussions on OP progress tend to be at a more general-level, rather than at a project-level. However, the lack of an EIB presence at such meetings may result in the Bank not being sufficiently informed of potential bottlenecks in the management and implementation of OPs and their corresponding SPLs.

The EIB's adequate monitoring of the progress of some OPs and projects has proven challenging. The EIB's updating of its allocation database has not always been made in a timely manner. The evaluation found that information relating to the allocation of fully disbursed SPLs was in some cases outdated by more than two years. This was particularly the case for sector-specific SPLs monitored by the relevant sectoral Divisions in PJ; rather than the division in PJ responsible for regional development. Consequently, the EIB's data management systems do not always provide an accurate and timely reflection of the extent of SPL implementation.

Moreover, the monitoring of SPL-related documentation submitted to the EIB in local languages by counterparts (often covering thousands of underlying projects) poses an operational challenge to the EIB when the Bank's monitoring officers do not have a good command of the local language in question. For the time being, EIB teams draw on inter-Directorate linguistic skills and/or machine translation in order to tackle this challenge; however, it has been questioned whether this matter should be addressed by:

- SPL finance contracts requiring reporting to be in one of the EIB's working languages or a language well-represented within the EIB's monitoring teams (hence the EIB's counterparts would bear the costs of translation); or
- The EIB bearing the cost of translating SPL-related reporting from local languages to EIB working languages; or
- The EIB assigning the management of SPLs to staff with relevant linguistic skills, which may not be feasible in all cases and may result in EIB teams not benefitting from the varied perspectives, expertise and experience that multi-national monitoring teams typically enjoy.

Finally, in accordance with the EIB's monitoring and reporting procedures, borrowers or promoters are to provide their Project Completion Reports (PCRs) within 15 months after the end of works of the underlying investments within the SPL operation. During the same year in which the promoter or borrower submits their PCR, the EIB is expected to draft its own PCR. Within the sample of 15 SPLs analysed individually, there were eight SPLs for which the EIB PCRs were expected to be finalised by the end of 2017. By year-end, four EIB PCRs were finalised, two EIB PCRs were in the process of being drafted and two EIB PCRs could not be completed as they were awaiting further information from the corresponding borrower. The four finalised EIB PCRs provide useful quantitative and qualitative information on the SPL operations. However, in all but one case⁸⁷, **information from PCRs of SPLs relating to the 2007-13 programming period arrived too late to influence their "successor" SPLs relating to the 2014-20 programming period.**

7.4 EIB-EC cooperation

Communication between the EIB and the EC is limited and focuses on compliance with applicable Regulations. This limited communication could explain the low awareness of SPLs

⁸⁷ In this case, the submission of the PCR was a condition set by the EIB for the signature and disbursement of a subsequent SPL operation.

by the EC staff interviewed. For instance, the coordination of SPLs during appraisal is limited to the EC opinion through Interservice Group Consultation⁸⁸ and is high level, leaving little room for the EC to provide more technical input towards the EIB's appraisal. This consultation is therefore regarded by the EC as a mere formality.

Despite limited communication, complementarity between the EIB and the EC was in general adequate. While the EC is especially strong on the policy side, the EIB puts greater emphasis on the financing aspects of individual projects. Thus, the EIB and EC complement each other well: the EC performs the programming together with the national/regional authorities and once this process has been finalised, the EIB launches negotiations with the authorities in order to determine any potential co-financing gaps.

⁸⁸ This procedure relates to Article 19 of the EIB's Statute.

8. CONCLUSIONS AND RECOMMENDATIONS

This evaluation concludes that **the EIB's SPL product has been relevant, effective and efficient in supporting EU Cohesion Policy during the period 2007-16**. Nevertheless, this evaluation identifies areas of improvement for the product, which should be considered in order to enhance the performance of SPL operations within the current programming period. In addition, and as concerns the ongoing discussions on post-2020 EU Cohesion Policy, this evaluation considers what lessons should be learned from the 2007-13 and 2014-20 programming periods and makes recommendations in this regard.

8.1 A relevant product with scope for increased support for national co-financing

The SPL product is well designed to support the EIB's contribution to EU Cohesion Policy, as by unlocking the liquidity constraints of borrowers, SPLs allow borrowers to respect their national co-financing obligations, hence facilitating the implementation of OPs. SPLs also allow the EIB to support small and mid-sized projects that the Bank would not otherwise have been able to support at a reasonable cost. In addition, the deferred appraisal process and the flexibility of the product (bearing in mind the incomplete information on projects during operation appraisal and approval) have proven adequate in supporting investment programmes falling within an OP.

As explained in section 5.1, since 1994, the EIB's policy has been to apply a "cumul rule" that limits the aggregated contribution of the European Structural [and Investment] Funds and the Bank to either 90% for regions classified by the EC as less developed, transition or under transitory measures, or 70% for developed regions. By applying this rule, the EIB has sought to: (i) ensure a certain level of counterpart ownership and responsibility in the management and implementation of SPLs; and (ii) encourage an increase in the fiscal capacity of national or regional borrowers.

Yet the application of the cumul rule: decreases the capacity of Member States or regions to fully mobilise the European Structural [and Investment] Funds available to them; and limits the ability of the Bank in carrying out its "task" of facilitating the financing of investment programmes in conjunction with assistance from the Structural Funds and other Union Financial Instruments.

R1. In order to further contribute to the achievement of EU Cohesion Policy objectives by supporting national or regional co-financing obligations, the EIB should consider the pros and cons of applying the cumul rule to SPL operations, taking into consideration the borrower (whether a Member State or region) and their economic, financial, legal and regulatory environment.

Management Response *Agreed*

It is considered that such reassessment would be more appropriate once the new architecture of post-2020 MFF is decided and will be then re-examined in due course.

8.2 Limited risk mitigation for promoters with insufficient capacity

Promoter capacity plays a critical role in the successful implementation of SPLs and of OPs in general. In some cases the risks posed by promoter shortcomings were identified and mitigated by the EIB, either through mitigation measures, or through technical assistance. This was the case for the SPL in Greece for the 2007-13 programming period, for which dedicated Technical Assistance was provided to build the capacity of the promoter in managing and implementing the SPL. Similarly, in order to support the timely implementation of OPs, the Bank has complemented its SPL product with Project Advisory Support Units (PASUs) in Romania and Bulgaria.

However, this evaluation also identified cases where the risks associated with insufficient promoter capacity were identified but not systematically addressed with appropriate mitigation measures within SPL finance contracts. Nevertheless, the evaluation also acknowledges the work being undertaken by EIB Services in developing clearer procedures for assessing promoter capacity, identifying risks posed by insufficient promoter capacity and stipulating appropriate risk mitigation measures in SPL finance contracts.

R2. More consideration is needed for building the capacity of weak promoters in view of the sound management and implementation of SPL operations. Risks posed by insufficient promoter capacity in these areas should be identified at appraisal stage and should lead to the Bank defining and implementing appropriate mitigation measures, such as the provision of bespoke Technical Assistance and advisory support, subject to the availability of additional financial resources.

Management Response *Agreed*

The recently modified internal procedures give a good basis to implement this recommendation as the capacity assessment of the promoter is put at the centre of the appraisal process. In line with this recommendation, provision of the Technical Assistance will be conditioned by the availability of additional financial and/or human resources. In that respect, the possibility to mobilise resources from EU Technical Assistance budget (in particular budget allocated to ESIF managing authorities and operational programmes) could be further explored e.g. following the model successfully being implemented in Romania and Bulgaria.

Residual risks posed by insufficient promoter capacity will be flagged to the Management Committee and the Board of Directors in the project appraisal documentation.

8.3 Room for manoeuvre in the administrative and reporting requirements for larger projects

SPLs can be used to support projects of all sizes. While past evaluations of European Structural Funds have highlighted the risk of infrastructure projects financed by these Funds being unsustainable, this evaluation found that the EIB's procedures for large projects enable the Bank to adequately mitigate this risk.

However for mid-sized projects, the EIB's appraisal and monitoring procedures are resulting in additional administration requirements for EIB counterparts, diminishing the benefits deriving from the use of SPLs to finance such projects. The evaluation acknowledges the work being undertaken by EIB Services in developing procedures for assessing the extent to which the Bank may reduce appraisal and monitoring requirements on the basis of promoter capacity. Further to the Bank's assessment and in order to increase the attractiveness of SPLs and reduce the additional administrative costs, there should be further harmonisation between EIB and EC reporting requirements, especially in relation to mid-sized projects (total investment cost between EUR 25 m and EUR 50 m) for which the EIB requires specific data, while the EC does not.

R3. Providing promoters have demonstrated a high-level of capacity at appraisal stage, the Bank should consider reducing the SPL's administrative requirements by, wherever possible, seeking to align project size definitions and their corresponding reporting requirements with those of the EC. This would imply a reduction in the information requirements of the Bank for mid-sized projects.

Management Response *Agreed*

The recently modified internal procedures provide a good basis to implement this recommendation. Appraisal of medium-sized schemes below EUR 50 m could be simplified by being based on a list approach, unless there are specific risks in a particular sector.

8.4 Scope for improving the monitoring of SPL operations

The EIB applies in-depth appraisal requirements for allocations relating to each mid-sized and large project, while the appraisal of smaller projects is delegated to the promoter. Nevertheless, the human resources budgeted by the EIB for monitoring SPLs are standardised. This approach often proved to be insufficient when (i) promoters lacked sufficient capacity and (ii) a large amount of mid-sized and large projects were submitted for allocation.

The flexibility of the SPL product has been acknowledged, as it allows for the investment programme to be expanded to projects not included in an OP, providing these projects are consistent with EU objectives and the EIB's eligibility criteria. Nevertheless, the projects that are not included in an OP are not subject to the same monitoring and control requirements as those falling within an OP. Therefore, these projects should be subject to the monitoring procedures of projects falling within standard Framework Loans.

As indicated in section 5.3, SPL operations allow the re-financing of a set of projects, which remains an acceptable outcome providing: the promoter unlocks previously committed financial resources that can then be committed to pre-finance and finance other eligible projects under the OPs; and projects were "not substantially completed" when the allocation request was submitted to the EIB (i.e. in order to avoid late-financing). However, the definition of not substantially completed projects is left to the discretion of EIB Services. As such, risks relating to the late-financing of projects by SPLs are not mitigated in a consistent manner. For instance, for the 2007-13 programming period, there was only one operation within the evaluation's sample that clearly defined "not substantially completed projects", thereby focusing the SPL on supporting the implementation of ongoing but delayed projects; hence bringing the OP back on schedule.

The EIB's data management systems do not always provide an accurate and timely reflection of the extent of SPL implementation, as allocation data was not systematically updated upon the dispatch of the corresponding allocation letter. This was particularly the case for sector-specific SPLs monitored by sectoral Divisions in the Projects Directorate (PJ).

Lastly, the coordination and exchange of information between the EIB, the EC and Member States is often limited to the procedure relating to Article 19 of the EIB's Statute, as the Bank's participation in Monitoring Committee meetings has thus far proven limited. The EIB's ad-hoc participation at such Monitoring Committee meetings may be justified by the corresponding OPs being discussed at a general-level, rather than at the project-level. Nevertheless, Monitoring Committee meetings may signal potential bottlenecks in the management and implementation of OPs (and their corresponding SPLs) at an early stage. Further to this, increased information exchange and cooperation with the EC may also bring benefits in terms of aligning reporting requirements, ensuring monitoring synergies and the joint identification of financing gaps.

R4. The monitoring of SPL operations should be improved by: (i) mobilising EIB human resources on the basis of promoter capacity and the composition of the investment programme; (ii) applying Framework Loan procedures to projects that are not included within OP(s); (iii) mitigating the risk of late-financing; (iv) ensuring the timely recording of allocations in EIB systems; and (v) proactively coordinating and cooperating with the EC to the extent possible.

Management Response *Agreed*

In line with the recently modified internal procedures, the promoter capacity assessment plays a central role in the appraisal of a FL and together with the overall risks of the investment programme serves the purpose of the adequate resources deployment in the allocation process. Recommendation R4.(i) is therefore agreed.

In response to R4.(ii) Framework Loans procedures will be amended to ensure that in the case of SPLs that include a component not financed by ESIF, such component will be explicitly governed by general FL procedures as appropriate.

Late financing does not pose an issue for SPLs. The case for late financing is already governed by existing rules and procedures and further specific formalisation for SPLs is not deemed necessary. Existing rules will continue to be applied. Recommendation R4.(iii) is therefore agreed. Measures will be taken to ensure timely recording of allocations in EIB systems (R4.(iv) is therefore agreed).

Bank services will continue to cooperate with the EC to the extent possible and mobilising EIB human resources adequately to the needs of a given SPL operation (R4.(v) is therefore agreed) as it is already done in the context of Article 19 and further encouraged by the FL procedures in the upstream work, monitoring and reporting aspects. However, the terms of the cooperation and coordination with the EC will also depend on the EC discretion.

8.5 Low EIB visibility through SPLs, especially for flagship projects

The visibility of the EIB as a financier of OPs through SPLs is very limited as it is for the most part restricted to: borrowers receiving the EIB loan; the promoters implementing the investment programme supported by the SPL; and entities responsible for the physical implementation of large projects. Thus, for other financiers and the general public, the EIB's visibility is restricted to communication, if any, at the date of the signature of the SPL. This may be partially explained by the lack of coherence between EIB visibility requirements (a matter not specific to SPLs) and the EC's information and communication rules for EU Cohesion Policy. For instance, within the context of Greece's SPL for the 2007-13 programming period, the EIB allocated EUR 1 bn to the Patras-Athens-Thessaloniki-Promahonas (PATHEP) Railway Corridor in Greece but, despite the Bank's significant financial contribution, the EIB was not acknowledged on EU signboards relating to the project, despite the promoter – if asked – having no objection to doing so.

Although the visibility of the EIB through SPLs is low for other prospective financiers and the general public, this evaluation recognises the effort made by the Bank in increasing the awareness of the SPL product at the level of EU institutions. This has been exemplified by the Bank's contributions to the SPLs factsheet and the recently published Seventh Report on economic, social and territorial cohesion.

R5. Consider the pros and cons of increasing the visibility of the EIB and of SPL operations co-financing large flagship projects. The EIB should assess the possibility of aligning its visibility requirements with the EC's information and communication rules for EU Cohesion Policy.

Management Response *Agreed*

The Bank has in recent years significantly increased its communication and visibility in the Cohesion (incl. SPL and FL) area. This is for instance manifested in the EIB contribution to the 7th Cohesion report, the regular participation in the relevant Cohesion meetings (with all MS, the EC, other stakeholders) organized by the various Presidencies, the annual Action Programme with the Committee of Regions, as well as the Massive Open Online Courses and other publications on the topic.

This recommendation will be implemented through setting up a dedicated communication plan for Cohesion projects and SPLs. It is stressed that such enhanced visibility should not increase contractual obligations for EIB clients given difference between grants and loans.

8.6 Looking ahead, SPLs are expected to be relevant for post-2020 EU Cohesion Policy

Although discussions concerning the future of EU finances are at an early stage, one scenario is that EU Cohesion Policy will remain a significant component of the EU budget for the next MFF. Similarly, and as mentioned in a 2017 EC reflection paper on the future of EU finances: *“The levels of national co-financing should be increased, in order to better calibrate them for different countries and regions and increase ownership and responsibility.”* In such a scenario, the Bank should promote SPLs as a relevant and performing product for supporting national co-financing obligations relating to the implementation of EU Cohesion Policy.

In the post-2020 MFF, it might also be expected that the share of grant funding for EU Cohesion Policy will decline, while the share allocated to Financial Instruments will increase in order to better leverage EU funding. For instance, combining European Structural and Investment Funds and EFSI at the level of Financial Instruments or investment platforms is possible under certain conditions and circumstances⁸⁹. However, within the sample of operations analysed in-depth by this evaluation, there were few examples of SPLs supporting Financial Instruments.

Finally, the portfolio review found that SPLs have rarely been used to support national co-financing obligations relating to OPs under the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF). Similarly, in terms of geographies, SPLs are commonly supporting Member State or regional OPs but cross-border cooperation programmes have rarely benefited from this EIB product.

R6. For the post-2020 Multiannual Financial Framework, the Bank should: (i) communicate that SPLs are a suitable product for supporting national co-financing obligations under EU Cohesion Policy; (ii) assess the implications of increased demand for SPLs in order to support higher national co-financing obligations; (iii) increase SPL support to Financial Instruments wherever possible; and (iv) assess the possibility of increasingly blending SPLs with Rural Development, Maritime and Fisheries, and cross-border cooperation funds.

Management Response *Agreed*

SPLs are likely to play an even more important role in the post-2020 Multiannual Financial Framework because of higher national co-financing obligations. This will be reflected in the Bank’s communications.

Once the complete architecture of the future MFF is known and approved, then the Bank’s services will assess the implications of increased demand for SPLs and come back to the MC with a note presenting conclusions.

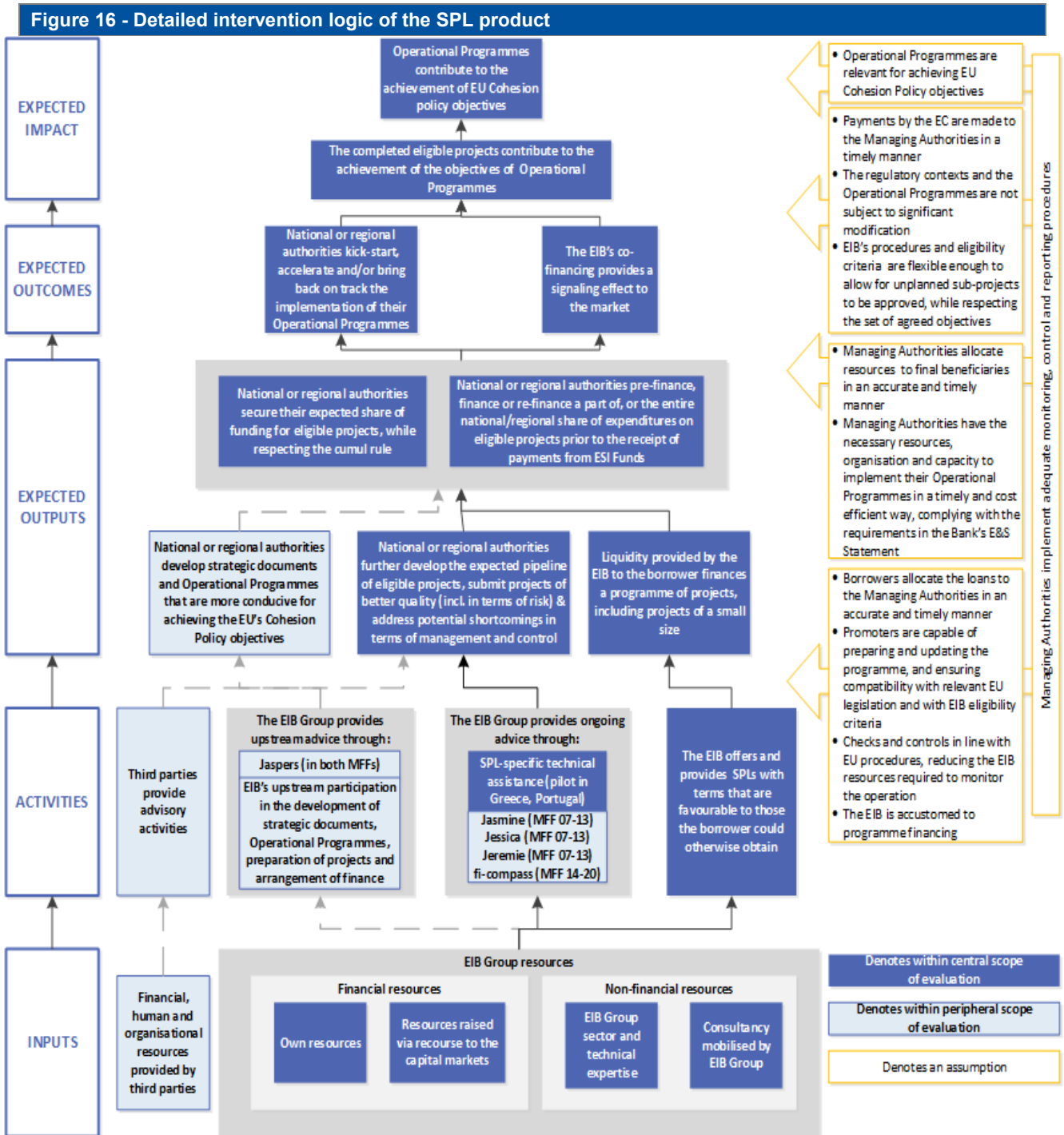
The support to Financial Instruments is taking place within SPLs as long as this Financial Instrument is financed by the Operational Programme. It is the decision of the respective MS to allocate EU funds to the Financial Instruments. Therefore synergies between SPLs and Financial Instruments will be explored only to the extent possible and within the boundaries set by post-2020 MFF regulations.

Once the EU post-2020 MFF and all related regulations are adopted and in line with the policy orientations defined in that framework, the Bank’s services will assess the possibility of increasingly blending SPLs with Rural Development, Maritime and Fisheries, and cross-border cooperation funds and come back to the MC with a note presenting conclusions.

⁸⁹ EC. (2016). European Structural and Investment Funds and European Fund for Strategic Investments complementarities: Ensuring coordination, synergies and complementarity.

ANNEXES

Annex 1 – Detailed intervention logic of the SPL product⁹⁰



Source: EV

⁹⁰ The technical assistance and/or advisory facilities within the peripheral scope of the evaluation (i.e. Jaspers, Jessica, Jeremie and Fi-Compass) are not limited to supporting SPLs but have a much broader scope.

Annex 2 – Geographical distribution of SPL operations

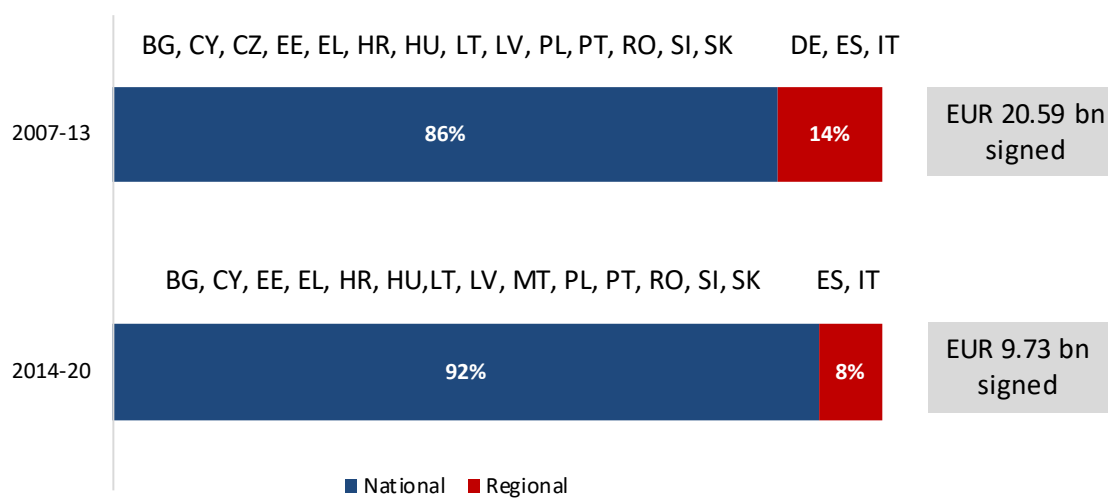
Figure 17 - Geographical distribution of SPL operations by Member State and programming period



Source: EV, data as of 31 December 2016
 Only Member States accounting for 5% or more of the total SPL signed amount for either programming period are labelled in the graphic.

Annex 3 – Breakdown of the institutional framework applied by EIB counterparts for SPL operations

Figure 18 - Breakdown of SPLs applying an institutional framework at the Member State or regional level, by programming period



Source: EV, data as of 31 December 2016

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OPERATIONS EVALUATION

Evaluation of Structural Programme Loans and their contribution to EU Cohesion Policy, 2007-2016

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