



EIB GROUP EVALUATION

Evaluation of EIB support for the water sector outside the European Union

From 2010 to 2021

February 2023

EIB GROUP EVALUATION

Evaluation of EIB support for the water sector outside the European Union

From 2010 to 2021

February 2023



Evaluation of EIB support for the water sector outside the European Union - From 2010 to 2021

© European Investment Bank, 2023.

All rights reserved.

All questions on rights and licensing should be addressed to publications@eib.org

The EIB wishes to thank the following promoters and suppliers for the photographs illustrating this report.

Photo credits: EIB.

All rights reserved.

Authorisation to reproduce or use these photos must be requested directly from the copyright holder.

For further information on the EIB's activities, please consult our website, www.eib.org.

You can also contact info@eib.org. Get our e-newsletter at www.eib.org/sign-up

Published by the European Investment Bank.

Printed on FSC® paper.

The EIB uses paper certified by the Forest Stewardship Council (FSC). Because it's made by people who like trees. FSC promotes environmentally sound, socially beneficial, and economically viable management of the world's forests.

We all know reading is good for you. It's good for the planet, too – as long as you read on the right paper.

CONTENT

| | |
|--|------------|
| Acknowledgements | ix |
| Abbreviations and Acronyms | x |
| Executive Summary | xii |
| Recommendations and Management Response | xviii |
| 1. Introduction and Context | 1 |
| 1.1. Evaluation methodology | 2 |
| 1.2. Policy context | 4 |
| 1.3. The EIB's mandate(s) and water sector framework | 5 |
| 1.4. Overview of the EIB water sector portfolio (2010-2021) | 6 |
| 2. Project Results | 9 |
| 3. Development Outcomes | 16 |
| 4. Contribution to Environmental Sustainability and Climate Action | 22 |
| 5. External Factors | 27 |
| 6. Internal Factors | 33 |
| 7. Conclusions | 40 |
| 7.1. What worked and what did not | 40 |
| 7.2. External and internal factors that can explain what worked and what did not | 42 |
| 8. Recommendations | 44 |
| Bibliography | 46 |
| Annex 1. Evaluation Methodology | 50 |
| Annex 2. Evaluation Framework | 58 |
| Annex 3. Portfolio Review | 72 |
| Annex 4. EIB Staff Survey Analysis | 115 |
| Annex 5. Summary of Policy Review | 130 |
| About the Evaluation Division | 135 |

List of figures

| | |
|---|----|
| Figure 1: EIB water sector intervention logic | 2 |
| Figure 2: Progress towards Sustainable Development Goal 6 | 4 |
| Figure 3: Volume of EIB operations signed in the water sector by activity, 2010-2021 (%) | 6 |
| Figure 4: Total volume of EIB operations signed in the water sector, 2010-2021 (€m) | 6 |
| Figure 5: Volume of EIB operations signed in the water sector by country (€m) and by region (% of total volume), 2010-2021 | 7 |
| Figure 6: Number of operations with climate action objectives..... | 8 |
| Figure 7: Average number of months from signature to first disbursement, by sector | 11 |
| Figure 8: Percentage of amounts signed in a given year that were disbursed by 2021 (%) | 12 |
| Figure 9: Ranking of external factors perceived as influencing disbursement delays | 13 |
| Figure 10: Ranking of internal factors perceived as influencing disbursement delays | 13 |
| Figure 11: Economic Rate of Return (ERR) and Financial Internal Rate of Return (FIRR) for water projects outside the European Union..... | 17 |
| Figure 12: Volume of EIB water sector lending OEU dedicated to climate mitigation (% of total EIB financing per year) | 23 |
| Figure 13: Volume of EIB water sector financing OEU dedicated to climate adaptation (% of total EIB financing per year) | 23 |
| Figure 14: Perceived influence of governance reforms in the water sector outside the European Union on the sustainability of EIB projects (%) | 28 |
| Figure 15: Assessment of promoter capacity from a sample of 39 projects appraisals in the evaluation sample (for which there was data on promoter capacity), including PCRs | 29 |
| Figure 16: Extent to which low promoter capacity was perceived as influential in causing disbursement delays (%)..... | 29 |
| Figure 17: Perception of sufficiency of technical assistance for different areas (% of responses finding the technical assistance sufficient) | 30 |
| Figure 18: Extent to which grant related processes were perceived as complex and influential in causing disbursement delays..... | 31 |
| Figure 19: Perception of added value of engagement with the EU delegation (% of responses citing high added value)..... | 31 |
| Figure 20: Perceived influence of project readiness on disbursement delays (%) | 36 |
| Figure 21: Proportion of operations co-financed with international financial institutions in the water sector outside the European Union 2010-2021 (% of total number of operations)..... | 37 |
| Figure 22: Reconstructed intervention logic..... | 56 |
| Figure 23: Volume signed (€ million) | 73 |
| Figure 24: Percentage of volume signed in a given year that was disbursed by 2021 (%) | 73 |
| Figure 25: Number of months from signature to the first disbursement | 74 |
| Figure 26: Volume signed, by region (2010-2021, %) | 75 |
| Figure 27: Volume signed, by product (2010-2021, %) | 76 |
| Figure 28: Volume signed, by mandate (2010-2021, % of total) | 77 |
| Figure 29: Volume signed, by type of borrower (2010-2021, % of total) | 78 |
| Figure 30: Volume signed (2010-2021, € million) | 79 |
| Figure 31: Distribution by activity (2010-2021, % of total volume signed) | 80 |
| Figure 32: Distribution by main activities (%)..... | 80 |
| Figure 33: Number of operations involving co-financing from international financial institutions | 81 |
| Figure 34: Proportion of operations co-financed with other international financial institutions (%) | 81 |
| Figure 35: Distribution of co-financed operations by leading co-financier (%) | 82 |
| Figure 36: Number of co-financed operations by leading co-financier under the Mutual Reliance Initiative (MRI) | 82 |
| Figure 37: Average number of months from signature to first disbursement, by sector | 84 |
| Figure 38: Average signed amount per operation, by sector (€ million) | 84 |
| Figure 39: Average number of months from signature to first disbursement, by region..... | 85 |
| Figure 40: Average number of months from signature to first disbursement, by mandate..... | 88 |
| Figure 41: Average number of months from signature to first disbursement, by loan grade..... | 89 |
| Figure 42: Average number of months from signature to first disbursement, by product..... | 90 |

| | |
|---|-----|
| Figure 43: Average number of months from signature to first disbursement, by activity..... | 91 |
| Figure 44: Number of operations co-financed by other International financial institutions in the water sector outside the European Union (2010-2021)..... | 92 |
| Figure 45: Distribution of water sector operations outside the European Union by economic rate of return (ERR), 2010-2021..... | 95 |
| Figure 46: Average economic rate of return by sector for EIB operations outside the European Union (2010-2021)..... | 96 |
| Figure 47: Distribution of differences between economic rate of return and financial internal rate of return..... | 97 |
| Figure 48: Economic rate of return and financial internal rate of return | 97 |
| Figure 49: Average economic rate of return by region | 99 |
| Figure 50: Number of operations with climate action objectives..... | 101 |
| Figure 51: Proportion of operations with climate action objectives (%) | 101 |
| Figure 52: Climate adaptation — % of operations and % eligibility | 102 |
| Figure 53: Climate mitigation — % of operations and % eligibility..... | 102 |
| Figure 54: Average eligibility percentage for climate action / environmental sustainability objectives (%)..... | 103 |
| Figure 55: Proportion of operations addressing climate action objectives by sector (%) | 104 |
| Figure 56: Proportion of operations addressing climate action objectives in the total number of operations, by region (2010-2021)..... | 105 |
| Figure 57: Approved amount, by year (€ million)..... | 107 |
| Figure 58: Amount approved, by country (€ million)..... | 108 |
| Figure 59: Volume approved, by region (including regional, %)..... | 109 |
| Figure 60: Volume approved, by region (%) | 109 |
| Figure 61: Distribution of the amount approved, by mandate (%) | 110 |
| Figure 62: Amount allocated by year (€ million)..... | 112 |
| Figure 63: Volume allocated, by country (€ million)..... | 113 |
| Figure 64: Volume allocated, by activity (% of total)..... | 113 |
| Figure 65: Allocated amount by type of final beneficiary (%)..... | 114 |
| Figure 66: Allocated amount by mandate (%)..... | 114 |
| Figure 67: Extent to which an institutionally weak water sector was perceived as influential in causing disbursement delays (%)..... | 116 |
| Figure 68: Extent to which political interference was perceived as influential in causing disbursement delays (%) | 116 |
| Figure 69: Extent to which low promoter capacity was perceived as influential in causing disbursement delays (%)..... | 116 |
| Figure 70: Extent to which PMU staff turnover was perceived as influential in causing disbursement delays (%) | 116 |
| Figure 71: Extent to which technical assistance for PMUs not being effective was perceived as influential in causing disbursement delays (%) | 117 |
| Figure 72: Extent to which complex national procedures for procurement were perceived as influential in causing disbursement delays (%) | 117 |
| Figure 73: Extent to which other international financial institutions/donors were perceived as influential in causing disbursement delays (%) | 117 |
| Figure 74: Extent to which grant-related processes were perceived as complex and influential in causing disbursement delays (%)..... | 117 |
| Figure 75: Ranking of external factors perceived as influencing disbursement delays..... | 118 |
| Figure 76: Extent to which EIB environmental and social impact procedures were perceived as influential in causing disbursement delays (%)..... | 119 |
| Figure 77: Extent to which EIB procurement procedures were perceived as influential in causing disbursement delays (%)..... | 119 |

| | |
|--|-----|
| Figure 78: Extent to which a delayed response from the EIB to client questions was perceived as influential in causing disbursement delays (%) | 119 |
| Figure 79: Extent to which project readiness was perceived as influential in causing disbursement delays (%) | 119 |
| Figure 80: Extent to which unrealistic preconditions were perceived as influential in causing disbursement delays (%)..... | 120 |
| Figure 81: Extent to which preconditions that were difficult to understand by promoters were perceived as influential in causing on disbursement delays (%) | 120 |
| Figure 82: Extent to which the EIB not being present locally to help with the design and implementation of the project was perceived as influential in causing disbursement delays (%) | 120 |
| Figure 83: Ranking of internal factors perceived as influencing disbursement delays | 121 |
| Figure 84: Extent to which the level of local EIB presence was perceived as a constraint in effectively carrying out the EIB role? (%)..... | 122 |
| Figure 85: Extent to which a lack of a local EIB presence was perceived as a constraint in minimising delays between signature and first disbursement (%) | 122 |
| Figure 86: Extent to which a lack of a local EIB presence was perceived as a constraint in minimising disbursement delays of an operational nature once the loan was effective (%)..... | 122 |
| Figure 87: Extent to which a lack of a local EIB presence was perceived as a constraint in deepening the EIB's relationship and mutual understanding with borrowers and promoters (%)..... | 122 |
| Figure 88: Extent to which a lack of a local EIB presence was perceived as a constraint in deepening the EIB's relationship and mutual understanding with co-financing international financial institutions (%)..... | 123 |
| Figure 89: Extent to which a lack of EIB local presence was perceived as a constraint in taking the lead international financial institution role in financing a project (%) | 123 |
| Figure 90: Extent to which a lack of a local EIB presence was perceived as a constraint in originating new projects (%) | 123 |
| Figure 91: Extent to which a lack of a local EIB presence was perceived as a constraint in engaging with the EU delegation and accessing policy and/or grant support (%) | 123 |
| Figure 92: Perceived added value of engagement with the EU delegation (% of responses citing high added value) | 124 |
| Figure 93: Extent to which the Mutual Reliance Initiative was perceived to have worked in the water sector (%)..... | 125 |
| Figure 94: Extent to which respondents agreed with the following statement (%): the Mutual Reliance Initiative is a good concept but the guidelines are too complex..... | 125 |
| Figure 95: Perceived sufficiency of the technical assistance provided for upstream advisory services (%)..... | 126 |
| Figure 96: Perceived sufficiency of the technical assistance provided for project studies and design (%)..... | 126 |
| Figure 97: Perceived sufficiency of the technical assistance provided for PMUs for project implementation (%) | 126 |
| Figure 98: Perceived sufficiency of the technical assistance provided for institutional strengthening of promoters (%) | 126 |
| Figure 99: Perceived sufficiency of the technical assistance provided for supporting the sector enabling environment (%) | 127 |
| Figure 100: Perceived sufficiency of the technical assistance provided for different areas (% of responses finding the technical assistance sufficient) | 127 |
| Figure 101: Extent to which governance was perceived as influential on the sustainability of EIB-financed projects (%) | 127 |

| | |
|---|-----|
| Figure 102: Extent to which human resources and operational performance of the operator were perceived as influential on the sustainability of EIB-financed projects (%)..... | 127 |
| Figure 103: Extent to which respondents agreed with the following statement (%): the EIB water projects optimised their potential development effects in terms of social/economic impact..... | 128 |
| Figure 104: Extent to which respondents agreed with the following statement (%): the EIB water projects optimised their potential climate and environmental sustainability effects..... | 128 |
| Figure 105: Extent to which respondents agreed with the following statement (%): the preconditions are too many and/or unrealistic and are often an impediment to project success..... | 129 |
| Figure 106: Extent to which respondents agreed with the following statement (%): the preconditions selected are not the most relevant or are not strong enough to ensure the intended sustainable development impact..... | 129 |
| Figure 107: Extent to which respondents agreed with the following statement (%): the preconditions selected are about right most of the time..... | 129 |
| Figure 108: Overview of policy framework..... | 130 |

List of tables

| | |
|---|-----|
| Table 1: Recommendations and Management response | xix |
| Table 2: Data collection and analysis methods for each evaluation question | 50 |
| Table 3: Sector context analysis: methods, data and tools | 52 |
| Table 4: Country and thematic-level analysis: methods, data and tools | 53 |
| Table 5: Synthesis: methods, data and tools | 54 |
| Table 6: Evaluation limitations | 55 |
| Table 7: Evaluation framework | 58 |
| Table 8: Operations by type of borrower..... | 86 |
| Table 9: Correlation of the speed of disbursement with the total project cost, volume/share of EIB funding or size of the contract..... | 87 |
| Table 10: Disbursement speed for operations co-financed by selected international financial institutions | 93 |
| Table 11: Economic rate of return and financial internal rate of return at appraisal | 98 |
| Table 12: Advisory services upstream in the water sector outside the European Union (2010-2021) | 107 |
| Table 13: Policy review summary (2000-2021)..... | 131 |

List of boxes

| | |
|---|----|
| Box 1: Water operator partnership..... | 18 |
| Box 2: EIB-funded water and sanitation project improves people's lives | 20 |
| Box 3: Creating a development effect by working closely with others — A case study from Latin America | 21 |
| Box 4: Examples of nature-based solutions in the water sector | 25 |
| Box 5: Mediterranean Hotspots Investment Programme | 35 |

ACKNOWLEDGEMENTS

This evaluation was carried out by the Evaluation Division of the EIB Group, under the supervision of Sabine Bernabè, Head of Evaluation. The team, led by Eric Buhl-Nielsen (team leader from PEMconsult A/S), included Milena Reinfeld, Iouri Marounov (evaluators) and Eirini Pouchtou (assistant). Jackie Church (mandate officer) and Sebastian Bachmann (evaluation policy and knowledge sharing officer) also provided valuable support.

The evaluation team was assisted by Astrid Høegh Jensen, Loay Hidmi, Lida Rodriguez, Laura Cardona and Ivan Naletilic, consultants from PEMconsult A/S.

The team is grateful to Emmanuel Pondard for peer-reviewing the draft report and sharing valuable comments and insights. The team would also like to thank the management and staff of the EIB for the information and insights they have shared, as well as for their extensive and constructive cooperation throughout the process.

Finally, the team is grateful to borrowers, promoters and representatives from other financial institutions as well as staff in European Union delegations and the European Commission for making themselves available for interviews.

ABBREVIATIONS AND ACRONYMS

| | |
|----------------|--|
| ACP | African, Caribbean and Pacific states |
| AECID | Spanish Agency for International Development Cooperation |
| AFD | Agence Française de Développement |
| CA | Climate action |
| CP | Conditions precedent (refers to the pre-conditions to be fulfilled prior to disbursement of EIB funds) |
| EBRD | European Bank for Reconstruction and Development |
| EIB | European Investment Bank |
| ELM | External Lending Mandate |
| ERR | Economic rate of return |
| ES | Environmental sustainability |
| EU | European Union (used in the text to mean either the European Commission and/or EU delegations) |
| EUD | European Union delegation |
| EV | Evaluation Division of the European Investment Bank Group |
| FEMIP | Facility for Euro-Mediterranean Investment and Partnership |
| FIRR | Financial internal rate of return |
| IADB | Inter-American Development Bank |
| IFIs | International financial institutions (including bilateral ones) |
| IWRM | Integrated water resource management |
| KfW | Kreditanstalt Für Wiederaufbau |
| KPI | Key performance indicator |
| M&E | Monitoring and evaluation |

| | |
|---------------|---|
| MBIL | Multibeneficiary intermediated loan |
| MeHSIP | Mediterranean Hot Spot Investment Programme |
| MRI | Mutual Reliance Initiative |
| NDICI | Neighbourhood, Development and International Cooperation Instrument |
| ODA | Overseas development assistance |
| OEU | Outside the European Union |
| OPS | EIB Operations Directorate |
| PCR | Project completion report |
| PIU | Project implementation unit |
| PJ | EIB Projects Directorate |
| PMU | Project management unit |
| PPG | EIB public policy goal |
| REM | Results Measurement framework |
| SDG | Sustainable Development Goal |
| SMEs | Small and medium-sized enterprises |
| TA | Technical assistance |
| UNICEF | United Nations Children's Fund |
| VEI | Vitens Evides International |
| WOP | Water operator partnership |

EXECUTIVE SUMMARY

The main objective of this evaluation was to provide an independent assessment of EIB support for the water sector outside the European Union from 2010 to 2021. During this period, 131 projects were signed with a total volume of €7.2 billion in over 50 countries. Of the projects signed, only 11 were completed by the time of the evaluation in 2022. The evaluation set out to determine what worked and what did not in terms of the project results, the development outcomes, and the contribution to environmental sustainability and climate action. Based on this analysis, the evaluation then examined the factors — both external and internal to the Bank — that could explain the findings on what worked and what did not. Wider conclusions on the implications for the Bank were drawn from across the findings, and these formed the basis for recommendations. The conclusions and recommendations of the evaluation are intended to inform the revision of the EIB water sector lending orientation and at the same time to provide useful evidence for EIB Global and climate bank actions.

The evaluation adopted a country and thematic case study approach. It examined all 25 EIB-supported water projects in six countries. In addition, it conducted seven thematic case studies in areas such as technical assistance and operations in fragile and conflict-affected areas. More than 75 interviews were held among EIB staff, borrowers, promoters, the European Commission and EU delegations as well as other donors, international finance institutions, providers of technical assistance and final beneficiaries. A number of focus group discussions were held within the Bank and a survey was responded to by more than 40% of EIB staff engaged in water operations outside the European Union.

The main limitation of the evaluation was that most of the projects that formed part of the portfolio were not yet complete. COVID-19 and other complications meant that a reduced number of field visits could be undertaken – this was mitigated through extensive on-line interviews at country and project levels.

EIB mandates and priorities outside the European Union

During the twelve-year period covered by the evaluation, the EIB's activities outside the European Union have taken place under the framework of the External Lending Mandate (ELM)¹ and the Cotonou Agreement². These mandates provide the legal basis and the overall funding³ framework. They set the high-level objectives and broad eligibilities for EIB interventions, in line with EU policies.

Over the course of this period, there has been an evolution of cross-cutting EIB priorities, generally reflecting changes in wider EU policies, which are relevant for water sector projects outside the European Union. The focus on climate action has strengthened with the launch of the EIB Climate Strategy in 2015, followed by the Climate Bank Roadmap⁴ in 2020. The EIB Group Strategy⁵ on Gender Equality and Women's Economic Empowerment was adopted in 2016.

Given these policy changes, and the launch of EIB Global at the start of 2022, the evaluation was careful to assess projects against their stated objectives, at the same time aiming to draw lessons from the water sector outside the European Union that are useful for the update of the water lending orientation and the on-going process of establishing a strategy for EIB Global.

¹ Refer to Council and Parliament Decisions for activities in the Eastern and Southern Neighbourhood, Western Balkans, Latin America, Asia and South Africa.

² Cotonou Agreement relevant for activities in Sub-Saharan Africa, the Caribbean and the Pacific.

³ For guarantee coverage under both the ELM and the Cotonou Agreement, and under the latter, endowments to the Cotonou Investment Facility and grants for interest rate subsidies and technical assistance.

⁴ The EIB Group Climate Bank Roadmap 2021-2025.

⁵ The EIB Group Strategy on Gender Equality and Women's Economic Empowerment.

Characteristics of the water sector

In many of the non-EU countries that the Bank operates in, the water sector is weak and institutionally fragmented. Generally, water resources are governed and managed either at national or river basin level or sometimes by international bodies for shared rivers and aquifers. Water supply and wastewater management is usually a mandate of and managed by local government although other arrangements also exist. Many countries do not have a specific ministry responsible for overall water management, with water instead being managed under several different ministries, such as those responsible for local government and housing, the environment; in the case of irrigation, agriculture; and for hydropower, energy. All of these factors tend to complicate the policy and reform environment.

Water and wastewater management projects are often relatively modest in size and highly specific, which leads to high transaction costs. In some cases, the sector is managed by high-capacity national institutions but in many cases the projects are managed by many, often low-capacity, municipalities that carry out these kinds of infrastructure projects only once every 20 to 30 years and that are not necessarily familiar with major infrastructure projects and especially not those financed externally. This contrasts with energy and transport projects, which are often project managed centrally by organisations that have many years of experience of working with international financiers.

The water sector is socially important and, as it is managed by local government, it can become politicised. For example, with politicians seeking votes by promising free water or very low tariffs or by directing service provision to their supporters as a reward. The water sector is also potentially vulnerable to a corruption risk owing to the high demand for water and the high discretionary power that arises over water, as water is often supplied by a publicly controlled utility that is not fully subject to market forces. The public nature of the water utility shields it from commercial considerations, thereby making tariff and similar reforms difficult to implement. Water is generally an undervalued and underpriced resource, resulting in a poor record of cost recovery for water investments. For these reasons, water utilities do not often have a strong revenue stream, which makes them dependent on public subsidies that are politically vulnerable. Water has strong public good and natural monopoly aspects, which makes it more difficult to fully mobilise the strength of the private sector.

The sector has very high potential development, environmental and climate effects. Many of these benefits cannot be easily monetised or their positive impacts are felt outside the water investment project itself. Longer term and multistakeholder engagement is needed to realise the benefits.

Findings on what worked, what did not and why

Results — The water projects funded by the EIB were aligned with national priorities and reflected sector needs. Results were and are being achieved in line with expectations, but they are delayed. There were delays both in starting up the projects and of an operational nature once the projects had started. While both types of delay are significant, the longest delays occurred between signature and first disbursement. Even though progress reports did not consistently report on outcomes, there is strong evidence that the facilities that have been funded are being used as intended and are delivering the expected outcomes. The completed projects that could be examined were all technically sound and were being physically well maintained, although there are longer term concerns regarding sustainability, especially in relation to financial viability and long-term governance at utility and sector levels.

Development outcomes — EIB support for the water sector outside the European Union had a high potential for contributing to development. Yet, in line with its business model, EIB water projects were primarily focused on constructing infrastructure, rather than on the post-project use of that infrastructure to create development outcomes. There was an implicit assumption that others were filling the gap between the provision of infrastructure and wider development effects in terms of sector reforms, institutional strengthening, customer information, and health and hygiene promotion. Nevertheless, there were examples, especially using framework loans, in which EIB water operations were able to contribute to strengthening national investment planning and mobilising national resources, with investments reaching smaller and more marginalised municipalities and towns. More recent projects considered development more explicitly, but despite statements of development intent in the project documentation, these intentions were not sufficiently structured into the projects and built into a wider

theory of change, nor were they introduced as a focus of project monitoring. The EIB was reliant on others to ensure the development effect of its investments and to tackle sector challenges beyond the scope of the infrastructure construction, which were vital aspects of ensuring that the EIB projects deliver their full potential. However, in most cases, the link to the work of other development partners was weak.

Contribution to environmental sustainability and climate action — The evaluation found that EIB water projects applied the Bank's environmental standards and, by doing so, they raised awareness of these standards and exposed partners to best practices, thereby contributing to a strong environmental performance. From 2010 to 2021, the proportion of water projects outside the European Union that were appraised as making a contribution to climate action objectives grew. Over 50% of the projects contributed to climate change mitigation, with climate change adaptation receiving increasing attention in more recent projects. Most of the adaptation-related interventions focused on climate proofing and the resilience of infrastructure. The project by project approach of the Bank was not best suited to fully grasp the opportunity for systemic change in creating greater capacity for adaptation at a wider sector level. There were relatively few projects dedicated to contributing to integrated water resource management or wider forward-looking conservation of water and natural resources, which usually involve operational expenditure. Wastewater treatment was a feature of many projects, and this has contributed and will continue to contribute strongly to environmental sustainability.

External challenges and opportunities that can explain what worked and what did not — EIB water projects faced challenges that were beyond the influence of the Bank's project-by-project approach. Challenges such as low promoter capacity and the financial viability of the water utilities needed systemic changes at sector level and could not be solved at project level. Grants, especially for technical assistance, provided an opportunity to respond to the challenges of low promoter capacity. However, the grant processes were often too complicated and were disconnected from the project, and there were examples in which this led to delays in loan projects. When the EU delegation in the country in question was engaged through sector activities (or as part of a closer association, like in the Western Balkans), EIB water projects benefitted from the EU agenda and contributed more strongly to EU policy goals. By working with other international financial institutions, EIB projects benefitted from the stronger local presence and policy mandates and the more explicit focus on development outcomes of other development actors. However, the EIB did not take full advantage of the information and reporting on the wider development provided by other international actors working on the same or similar projects. For instance, in one of its projects a Mediterranean country, the EIB did not monitor longer term outcomes for a project it financed. In this instance, the tracking of the water quality was reportedly done by the local environmental authorities, but this tracking is not referred to in the EIB project reporting or documentation which were focused more on the progress of the physical infrastructure than on the final outcomes.

Internal challenges and opportunities that can explain what worked and what did not — The EIB's core mandate has been to finance infrastructure rather than actively engage in policy level transformational change. The evaluation found indeed that, without a clearly embedded policy mandate, the EIB approach and business model was better suited to responding to infrastructure needs, rather than also to policy support and institutional strengthening, thus making it difficult for the EIB to contribute to transformative changes in the enabling environment. While key sector and project-related challenges and risks were correctly identified, the Bank lacked the resources and institutional incentives to follow up and respond to them. The EIB's limited number of in-country offices and local presence constrained it at all levels including project origination, project preparation, operational monitoring, stakeholder engagement and policy leverage. There was also low availability of resources for providing upstream advisory services and technical assistance, which further limited the EIB's ability to maximise its impact.

Overall conclusions

Water sector operations supported by the EIB have led and are leading to the expected results, especially regarding the environment and climate, but there were long delays. Many projects were not yet complete, and the development effect was not optimised. The Bank's ability to maximise its impact was limited because its business model and local presence were not well suited to the demands of the water sector outside the European Union, when the enabling environment was poor and the promoters were often small municipalities with low capacity. The evaluation concludes that the water projects being supported through EIB loans were highly relevant, aligned to the needs of the sector and of high technical quality. While the projects completed, or nearing completion, were being used as intended, tariffs and governance arrangements of the sector meant that there were threats to the longer term sustainability of the results.

The projects contributed strongly to environmental sustainability and climate action. Examples of the positive contribution included energy efficiency measures, wastewater treatment and the resilient use of water resources. Water projects were developed in the context of river basin plans and an integrated management of water resources. However, dedicated integrated water resource management and opportunities to restore ecosystems were supported only to a limited extent - in part because they are connected more closely to operational, rather than capital expenditures. A circular economy approach was not structured into projects although this is changing as this topic is being more strongly placed on the agenda.

EIB support for the water sector has a high potential to contribute to development but the focus of the Bank was predominantly on the construction of the infrastructure. The Bank was reliant on others to ensure that the infrastructure was put to use in the long-term as intended and for the development effect to be fully realised. In instances in which the EIB went beyond a project-by-project approach, promising development results at a wider sector level were evident. However, the links to other initiatives were sometimes overlooked and were usually not explicit enough in the design and implementation to ensure that the projects could deliver to their full potential.

The Bank's operational focus and incentive environment tended to favour a focus on signature of new projects rather than completion of ongoing projects, which for the water projects in many countries outside the EU was especially challenging.

In summary, the EIB's business model worked well when promoters and the sector were stronger or when the Bank could rely on others to provide policy and institutional support. However, when promoters were weak or the sector faced many challenges, the EIB's business model revealed shortcomings.

Recommendations

The evaluation issues eight recommendations:

R1 – Optimise the development, environment and climate results of water projects by diversifying beyond infrastructure

Rationale: The water sector, including irrigation, integrated water resources and flood management, has significant potential for contributing to development, environmental sustainability and climate action. However, during the period evaluated relatively few EIB projects outside the European Union extended beyond the traditional water supply and wastewater management to more systematically include integrated water resource management, climate change adaptation, and green and digital transition. Introducing such innovations into projects and wider sector practice would contribute to environmental sustainability, improved governance through information sharing and be a conduit for adding value through transferring EU experience and expertise.

R2 – Develop pre-prepared guidance packages to support projects in the water sector

Rationale: The EIB scale of investment and its technical resources combined with the demonstration effect of water sector practice in Europe can be influential at the operational level and in improving water sector performance. Technical support packages that provide guidance as well as examples of innovative practices could be offered to promoters and country authorities. Examples of innovative practice could include improving customer orientation, green economy measures, circular economy and engagement with water operator partnerships and how this peer-to-peer approach could be adopted to enhance the sustainability of the investments made.

R3 – Actively complement and engage with the European Union and other partners in supporting credible water related reforms and development outcomes

Rationale: The success of the EIB's development, environmental and climate action contributions were, and will continue to be, much influenced by the presence of credible sector reforms and development partners who can work in collaboration with the EIB. It is especially important that the EIB works more closely with EU delegations that are engaged in sector dialogue with partner countries.

R4 – Expand products that are highly relevant for the water sector in less developed countries

Rationale: The evaluation found evidence that it has been possible to engage with weak municipalities by using products such as framework loans where a stronger central body functioned as the promoter and the main partner for the EIB to support improvement of national systems. Piloting sector-based lending, that will better enable the Bank to respond to the needs of many small, scattered utilities by working through central bodies and strengthening national systems of investment planning and prioritisation could be considered as a next step.

R5 – Consider enhancing EIB local presence to address capacity gaps in water sector projects at origination, design and implementation stages

Rationale: The complexity of the sector and the relative weakness of promoters and their location — often away from the capital city — requires support for the timely completion of projects and longer-term institutional strengthening and development effects. Access to regional technical experts would help address capacity gaps at origination and design stages, ensure strong project follow-up during implementation and help unlock disbursements. On the ground presence would also enable collaboration and more formalised partnerships with local stakeholders, as well as coordination with EU delegations and other international financial institutions.

R6 – Consider increasing technical assistance resources for water projects that can be easily mobilised

Rationale: The evaluation found access to technical assistance was important to the success of projects but often time consuming to mobilise (which led to delays in the project). Technical assistance is necessary to support origination, preparation, disbursement and implementation of projects, and where justified, to promote development outcomes and reforms.

R7 – Consider developing a simpler, standardised package of procedures that respond to the needs of low-capacity promoters at municipal and local government levels in the water sector

Rationale: Weak promoters found it difficult to work with EIB procedures, which were more suited to high-capacity promoters. The Bank sets an example by applying high standards but should in parallel make its procedures easier to understand and implementable to weaker promoters. Simplified procedures, such as allowing standard bidding documents, could be considered for weaker promoters.

The Mutual Reliance Initiative (MRI) has long been recognised as having a strong potential for enhancing coherence, simplifying the demands on the borrower and improving reporting. The MRI can potentially enhance cost recovery for the Bank by reducing double supervision, thus allowing more resources for supporting development. There is a potential for establishing and systematising similar arrangements with other international financial institutions.

R8 – Consider additional measures to accelerate completion and disbursement of EIB projects in the water sector, balancing the current focus on signatures with a focus also on completion, and reinforcing incentives for both EIB staff and promoters

Rationale: The EIB delivered on its investment in the water sector outside the European Union, but the effectiveness of the support has been weakened by delays in the start-up and implementation, leading to slow disbursements. Numerous interlinked factors led to delays, with one being the relatively low incentives for EIB staff and promoters/borrowers to ensure that projects reach first disbursement in a timely manner and that subsequent implementation issues are resolved.

RECOMMENDATIONS AND MANAGEMENT RESPONSE

The Management Committee welcomes the valuable analysis and the conclusions of the Evaluation of EIB support for the water sector outside the European Union (2010-2021).

The EIB's independent evaluation function has two main aims accountability and learning. While the work of the Evaluation Division is more recognised for its accountability function, it has also a learning function that aims to identify areas of success as well as areas of improvement that can be applied to EIB Group activities to increase performance in the future. This learning function can provide valuable insights for strategy and policy development, as the case of this evaluation linked to the revised EIB Water Sector Orientation. The Management Committee would emphasise that such insights, covering strategic and policy matters, cannot be taken in isolation for a single subject or sector being evaluated and this has been reflected in our responses.

The Management Committee welcomes the conclusion that overall, the EIB's water sector operations have led and are leading to the expected results, especially on environment and climate despite some project implementation delays. The Management Committee recognises that the EIB's ability to maximise its impact has faced some challenges when demands of the water sector outside the European Union faced an enabling environment that was poor and when the promoters were small municipalities with low administrative capacity.

The Management Committee welcomes the recognition that water projects being supported through EIB loans are highly relevant, aligned to the needs of the sector and of high technical quality. Moreover, projects completed, or nearing completion, were being used as intended.

The Management Committee also welcomes the conclusion that EIB water sector operations contributed strongly to environmental sustainability and climate action. The examples of the positive contribution were through energy efficiency measures, wastewater treatment, and attention to increased resilience of the infrastructure. EIB water projects were developed taking into consideration the local water resources, where possible through river basin management plans, applying integrated water resources management approaches.

The Management Committee acknowledges that EIB water sector operations could take more consideration of dedicated integrated water resources management and opportunities to restore ecosystems which the evaluation finds were supported only to a limited extent. The scope of such actions is often beyond the remit of most promoters (i.e. water and wastewater services companies), nonetheless, as indicated in the Water Sector Orientation seen by the MC (on 11/01/2023), the positive impact of such wider water basin level interventions that support nature based solutions and ecosystem restoration are identified and encouraged for consideration where practically possible.

The Management Committee also acknowledges that a circular economy approach was not always structured into projects although this has been changing as this topic is being more strongly placed on the EIB's strategic objectives. The recognition that the EIB support for the water sector has a high potential to contribute to the development of a circular economy has gained greater emphasis for the Bank, especially during the construction of the infrastructure with focus on the needs of local populations.

The Management Committee acknowledges the conclusion that the EIB's business model has worked better when promoters and the water sector were stronger or when the Bank could rely on others to provide policy and institutional support. But when promoters were weak and the sector faced many challenges, the EIB's business model revealed some shortcomings that were highlighted in the recommendations and which the Bank intends to address.

The Management Committee would like to thank the Evaluation Division for the evaluation and its actionable recommendations. The conclusions of the evaluation of EIB support for the water sector outside the European Union (2010-2021) will be duly taken into account in the new EIB Water Sector Orientation.

Table 1: Recommendations and Management response

Recommendation 1

Recommendation 1 – Optimise the development, environment and climate results of water projects by diversifying beyond infrastructure

Rationale: The broader water sector, including irrigation, integrated water resources and flood management, has significant potential for contributing to development, environmental sustainability and climate action. However, the majority of EIB projects in the evaluation scope had a more limited focus on traditional water supply and wastewater management. Nevertheless, when information management, digitalisation, energy recovery, circular economy, nature based solutions and other innovations have been introduced as part of a project, they have impressive effects. Introducing such innovations into projects and wider sector practice would contribute to environmental sustainability, improved governance through information sharing and be a conduit for adding value through transferring EU experience and expertise. The new water sector orientation that was being drafted at the time of writing this report highlights the transformative potential of the water sector.

Management response: Agreed

The EIB Management agrees that mentioned “innovations” often help augment project impact and where possible, should be considered for inclusion in projects’ scope.

Attention is being raised about their value added in the Water Sector Orientation that clearly identifies those activities and investment components — including digitalisation, nature-based solutions, and circularity — that are best suited to maximise project impact and contribute to the achievement of the six environmental objectives defined by the EU Taxonomy (as measured by the climate action and environmental sustainability percentage).

Significant scope to intervene beyond infrastructure investment is potentially attained in the context of sector based loan (SBL) pilots.

As example only, one potential SBL pilot that Services are conceptually looking to develop, concerns support across national utilities to reduce network leakage rates. It requires investment in digitisation and technical assistance for capacity building. Such components will allow to then identify more focused investment needs at network level. The efforts will result in better investment planning and improved utility performance. See also response to recommendation 4 on SBLs.

Recommendation 2

Recommendation 2 – Develop pre-prepared guidance packages to support projects in the water sector

Rationale: The EIB scale of investment and its technical resources, combined with the demonstration effect of water sector practice in Europe can (and has been) influential at the operational level and in improving water sector performance. This experience should be provided as technical support packages to promoters and country authorities. The World Bank, for example, has developed useful technical support packages such as the utility turnaround framework; and the European Bank for Reconstruction and Development has also contributed through its financial and operational performance improvement programme. Technical support packages can provide “how to” guidance and examples of innovative practices that have been adopted. These could, for example, include engagement with water operator partnerships and how this peer-to-peer approach could be adopted to enhance the sustainability of the investments made.

Management response: Agreed

The Bank already provides some guidance in different forms, including: technical publications/documentation; support of and participation through partnerships; and technical assistance and local support depending on need and market evolution.

Examples of such guidance support include:

- Technical publications/documentation:
 - In May 2022, the Bank published the first of a new series of technical papers, entitled, “Wastewater as a resource”, which covers developments in water, energy and phosphorous recovery (circular economy) from wastewater. The intention is to continue this technical paper series publishing further documents that can help guide EIB promoters and stakeholders on emerging themes such as *circular economy*, *nature based solutions*, *emerging pollutants*, *climate resilience*, etc. The next planned technical paper is on emerging contaminants.
- Partnerships:
 - The Bank contributes to the Global Water Operators’ Partnerships Alliance – activities intended to disseminate best practice. Where projects allow, this form of Water Operator Partnership (WOP) is strongly supported – one of the earlier – and proven successful examples – is the EIB design of the WOP concept for the Malawi Peri-Urban Water and Sanitation project, whose fruits are still evident today, including in the form of well prepared follow-up operations proposed for Bank financing.
 - Another partnership example that provides thought leadership is the Water Finance Coalition, in which the Bank participates (as founding member). Gathering other IFIs/DFIs and national promotional banks, the coalition meets regularly to disseminate best practices in the financing of water sector operations. The Water Finance Coalition issued a water finance climate toolkit for national promotional banks in June 2022.
- Technical assistance/local support:
 - Beyond technical assistance, for which the water sector is already one of the bigger users given the generally weak water sector promoters, the Bank has 3 local (water sector) agents based in the African regional hubs for a number of years. This reinforced local presence allows the Bank to have more impact in key areas including project design and implementation support. Such support also covers “thought leadership” themes such as climate resilience, resource efficiency and utility performance improvement. Local agents can also help with coordination among financiers through regular and active participation in the Development Partners’ Sector Coordination Groups.

Recommendation 3

Recommendation 3 – Actively complement and engage with the European Union and other partners in supporting credible water related reforms and development outcomes

Rationale: The success of the EIB's development, environmental and climate action contributions were, and will continue to be, much influenced by the presence of credible sector reforms and development partners who can work in collaboration with the EIB.

Although EIB water sector projects suffered from delays in disbursement, the expected results were and are being achieved. However, the link to wider development processes led by national initiatives and other development partners was weak. Strengthening these links throughout the project cycle and looking beyond individual projects/operations to recognise of what other actors are doing would ensure that EIB projects are originated in contexts in which the development effects of the EIB-supported infrastructure are more likely to occur and be optimised. These links include supporting common policy agendas, closer discussions and alignment of projects' objectives and modalities with other development partners during the preparation phase and coordinating with other development partners during and after implementation.

Management response: Agreed

Management welcomes this recommendation, given the importance to strengthen collaboration and dialogue with other development partners and the EU delegations. As of 2021 under the new NDICI — Global Europe instrument — any engagement in the water and sanitation sector, partnerships and policy dialogues that EIB will undertake needs to be closely aligned with the European Commission and European External Action Service in line with the EU programming at the national and regional level. This de facto ensures that EIB interventions complement those of the EU in relation to water sector reforms and investments. The EIB is already involved in operations that support water sector reforms necessary to implement water projects and participates where possible in the Development Partners Sector Coordination Groups.

The EIB is also active with regards to cooperation with local authorities and the private sector. In addition, since the creation of EIB Global the Bank is actively seeking to further enhance and strengthen its partnership and operational cooperation with other Team Europe members. The Mutual Reliance Initiative with the AFD and KfW from 2013 was reenergised in 2022 with an agreement of updated operational guidelines that will create the basis for an expanded use of this instrument, including in the water sector. A similar approach was taken with the framework cooperation agreement with the EBRD in 2021. As a consequence of these and other similar efforts, EIB co-financing with other Team Europe partners has been increasing in recent years.

One recent concrete example highlighting the benefits of the coordination in the field is EIB support for the water sector in Jordan. This support is in line with the EU-Jordan priorities, the EU's Economic and Investment Plan. The signature in December 2022 of an EIB sovereign loan of EUR 200 million for the Aqaba-Amman Water Desalination and Conveyance Project was a top priority for the government of Jordan, the EU and international development partners to address the urgent issue of water scarcity, caused, amongst others, by the effects of climate change and the Syrian crisis. It was enabled by the excellent cooperation with the EU Delegation and DG NEAR on this project (which will receive an initial grant of EUR 50million under the Neighbourhood Investment Platform).

Recommendation 4

Recommendation 4 – Expand products that are highly relevant for the water sector in less developed countries

Rationale: In some cases, as shown by evidence from the evaluation, it has been possible to engage with weak municipalities by using products such as framework loans where a stronger central body functioned as the promoter and the main partner for the EIB to support improvement of national systems. Framework loans used in this way were able to build national sector capacity with promising results. They were able to introduce solutions and innovations that had an effect beyond a single project. Piloting water sector-based lending that uses and strengthens national systems across the many small underperforming promoters and responds to wider sector opportunities could be considered as the next step.

Management response: Agreed

The Management Committee welcomes the recommendation to expand the product line in the water sector. Through EIB Global, the Bank will endeavor to intensify framework loans that are able to build national sector capacity. Such operations are resource-intensive and require technical assistance which in turn could impose constraints for their rollout. In addition, steps have already been taken to introduce the new instrument of sector-based lending to diversify the Bank's offer to clients outside the European Union. Before formal introduction, a pilot phase across different sectors is being conducted. Services are exploring possibilities to select a pilot for sector-based lending in the water sector.

Recommendation 5

Recommendation 5 – Consider enhancing EIB local presence to address capacity gaps in water sector projects at origination, design and implementation stages

Rationale: The complexity of the sector and the relative weakness of promoters and their location — often away from the capital city — requires significant support to ensure timely completion of projects and to achieve longer term institutional strengthening and development effects. Access to regional technical experts who are familiar with the country context is necessary to address capacity gaps at origination and design stages, ensure strong project follow-up during implementation and help unlock disbursements. Such on the ground presence would at the same time enable collaboration and a more formalised partnership with local stakeholders, as well as coordination with EU delegations and other international financial institutions.

Management response: Agreed

The underlying issue is not only inherent to the water sector and is a more general systemic issue and is applicable also to other sectors and other operations. Currently, when it comes to local presence, the EIB OEU Offices in Abidjan, Cairo and Nairobi already have expert staff on water security & resilience.

Management acknowledges the recommendation and will continue to explore the possibility of enhancing EIB local presence to address capacity gaps taking into consideration strategic and cost-coverage constraints. This will be further elaborated in the EIB Global strategy. In particular, local hubs will provide more local presence to allow for project origination, monitoring and unlock disbursements in the water and other sectors. Given this recommendation has Bank wide impacts it cannot be taken in isolation for the sector being evaluated.

Recommendation 6

Recommendation 6 – Consider increasing technical assistance resources for water projects that can be easily mobilised

Rationale: The evaluation found that access to technical assistance was important to the success of projects and that it was often time consuming to mobilise it (which led to delays in the project). Technical assistance is necessary to support origination, preparation, disbursements and implementation of projects, and where justified, to promote development outcomes and reforms. Depending on the volume of financial resources the Bank is able to secure, the EIB could extend the scope of its technical assistance to promoters in the water sector outside the European Union.

Management response: Agreed

At present there is limited access to technical assistance envelopes funded from the Bank's own resources. This is a serious constraint for the pipeline identification, project development, implementation and monitoring across different sectors OEU. Mobilisation of funding from the European Commission is to a large extent done on a project-by-project basis and entails a lengthy application process with uncertainty of a successful outcome as under EU Blending Facilities the Bank effectively competes for the same scarce resources with other implementing partners.

Moreover, in the context of the Neighbourhood, Development and International Cooperation Instrument (NDICI) and given that the main focus of the European Commission is shifting to provision of guarantees instead of technical assistance and investment grants, access to European Commission grant resources is expected to be increasingly challenging. In this context, EIB's own trust funds offer a good alternative as they provide visibility early on regarding available funding. Following signature of agreements with bilateral donors, approval processes relating to the allocation of funds for EIB operations is quick and relatively straightforward. The key obstacle is a competition between different international financial institutions for scarce donor ODA resources and co-existence of multiple funds and initiatives.

Another possibility would be for the EIB to allocate an envelope of own resources for technical assistance for all OEU geographies and sectors allowing for mobilisation of technical assistance support where external funding sources are not available or not in sufficient amount. Thus, EIB Services agree to explore these and other possibilities of increasing technical assistance resources including for water projects and present options to the EIB Management Committee.

Recommendation 7

Recommendation 7 – Consider developing a simpler, standardised package of procedures that respond to the needs of low-capacity promoters at municipal and local government levels in the water sector

Rationale: Weak promoters found it difficult to work with EIB procedures, which were more suited to high-capacity promoters. The Bank sets an example by applying high standards, but it should in parallel make its procedures easier to understand and implementable to weaker promoters. Simplified procedures, notably in the area of procurement, such as offering the use of standard bidding documents, could be considered for weaker promoters.

The Mutual Reliance Initiative (MRI) has long been recognised as having strong potential for enhancing coherence, simplifying the demands on the borrower and improving reporting. The MRI can also potentially enhance cost recovery for the Bank by reducing double supervision, thus allowing more resources to be put into supporting development aims. There is potential for establishing and systematising similar arrangements with other international financial institutions.

Management response: Partially Agreed

The EIB policies and standards apply across the board.

However, the Bank is continuously seeking to improve its practices and procedures in view to ensure an efficient project cycle process. This recommendation will be specifically considered for procurement practices. This recommendation also links with recommendation 6, as low-capacity promoters can also benefit from technical assistance to support them throughout the project cycle in addition to a thorough gap analysis and tailored approaches provided by the Services.

Recommendation 8

Recommendation 8 – Consider additional measures to accelerate completion and disbursement of EIB projects in the water sector, balancing the current focus on signatures with a focus also on completion, and reinforcing incentives for both EIB staff and promoters

Rationale: Although the EIB delivered on its investment in the water sector outside the European Union, the effectiveness of the support has been weakened by delays in the start-up and implementation phases, leading to slow disbursements. Numerous interlinked factors led to delays, with one being the relatively low incentives for EIB staff and promoters/borrowers to ensure that projects reach first disbursement in a timely manner and that subsequent implementation issues are resolved so that projects are completed according to plan.

Management response: Agreed

Analysis of existing bottlenecks towards fast disbursements has already been conducted in the past for operations outside the European Union (OEU).

The issue is not only inherent to the water sector. The Bank recognises the need for additional measures to accelerate disbursement and completion of operations OEU in general. A centralised implementation unit, dedicated to supporting post-signature stage on disbursements related matters has contributed to the record disbursements levels in 2022 and will need to be further reinforced in 2023.

In addition, better project preparation can also be conducive to faster disbursements. The issue of technical assistance for project preparation is already covered under recommendation 6.

1. INTRODUCTION AND CONTEXT

This evaluation covers EIB support for the water sector outside the European Union from 2010 to 2021. The evaluation assessed to what extent EIB support for the water sector produced results and contributed to climate action and development. It answers five evaluation questions:

1. To what extent has EIB support for the water sector in countries outside the European Union achieved the expected results?
2. To what extent has EIB support for the water sector outside the European Union adopted an approach that facilitates development outcomes?
3. To what extent has EIB support for the water sector outside the European Union contributed to environmental sustainability and climate action?
4. What have the external challenges and opportunities been that have influenced the achievement of results of EIB water sector support outside the European Union?
5. What have the internal challenges and opportunities been for achieving the results of EIB water sector support outside the European Union?

The evaluation focused on outside the European Union recognising that the context of operating outside the European Union is very different from operating within the European Union. It was also recognised that the water sector context is complex and presents a different set of opportunities and challenges from other sectors.

The water sector in many countries is institutionally fragmented. Generally, water resources are governed and managed at either national or river basin level and sometimes at aquifer level if groundwater is important. As rivers often form the boundary between countries, some river basins are managed through international bodies. Water supply and wastewater management is usually a mandate and managed by local government, although other arrangements also exist. Many countries do not have a specific water ministry, with water instead being managed under several different ministries, such as those responsible for local government and housing, the environment; in the case of irrigation, agriculture; and for hydropower, energy. This complicates the policy and reform environment.

Water and wastewater management projects are often relatively modest in size and highly specific, which leads to high transaction costs. In some cases, the sector is managed by high-capacity national institutions but in many cases the projects are managed by many, often low-capacity municipalities that carry out these types of infrastructure projects only once every 20 to 30 years and that are not necessarily familiar with major infrastructure projects and especially not those financed externally. This contrasts with energy and transport projects, which are often project managed centrally by organisations that have many years of experience of working with international financiers.

The water sector is socially important and, as it is managed by local government, it can become politicised. For example, with politicians seeking votes by promising free water or very low tariffs or by directing service provision to their supporters as a reward. The water sector is also potentially vulnerable to a corruption risk owing to the high demand for water and the high discretionary power over water that arises, as the sector is mostly supplied by public sector utilities that are partially sheltered from market forces⁶. This makes tariff and similar reforms more difficult to implement. Water is generally an undervalued and underpriced resource, resulting in a poor record of cost recovery for water investments. For these reasons, water utilities do not often have a strong revenue stream, which makes them dependent on public subsidies that are politically vulnerable. Water has strong public good and natural monopoly aspects, which makes it more difficult to fully mobilise the strength of the private sector.

⁶ Stålgren, P. (2006). Corruption in the Water Sector: Causes, Consequences and Potential Reform. Swedish Water House Policy Brief Nr. 4. SIWI.

The sector has very high potential development, environmental and climate effects. Many of these benefits cannot be easily monetised or their positive impacts are felt outside the water investment project itself. Longer term and multi stakeholder engagement are needed to realise the benefits.

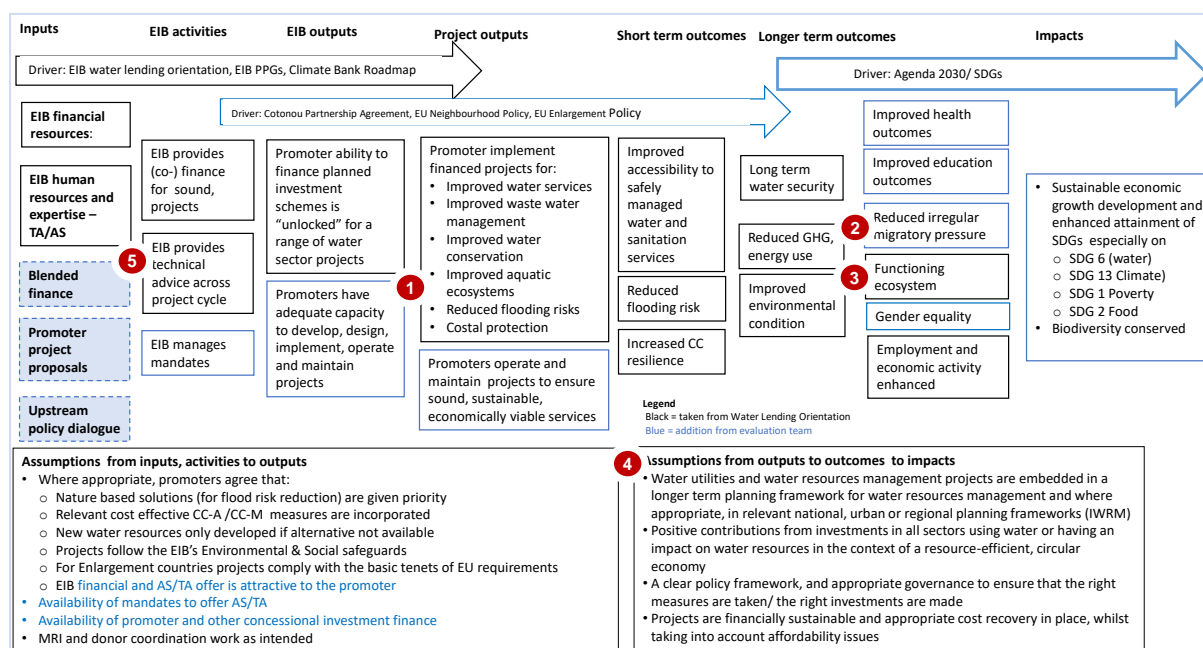
The structure of the evaluation report reflects the five evaluation questions. Chapters 2 to 4 set out the extent to which EIB-financed water sector operations achieved the expected results in terms of infrastructure, and their contribution to development, environmental sustainability and climate action. Chapters 5 and 6 describe the external and internal factors that can explain the findings regarding what worked and what did not work. Chapter 7 sets out the conclusions. Chapter 8 sets out the recommendations with a rationale.

1.1. Evaluation methodology

Given the time period covered by this evaluation (2010-2021), the portfolio includes projects that were signed before some of the more recent EIB priorities of relevance to evaluation questions two and three emerged (the Climate Strategy, the Gender Strategy, the Climate Bank Roadmap and EIB Global). While the purpose of the evaluation is to learn from what has been done in the past and to draw lessons that are useful for the future, it takes care not to judge older projects against these newer ambitions.

The evaluation questions have been mapped onto an intervention logic (Figure 1). A detailed description of the intervention logic can be found in the evaluation methodology in Annex 1.

Figure 1: EIB water sector intervention logic



Source: Evaluation team based on the 2017 EIB water sector lending orientation

Reflecting the fact that water sector projects are situation specific, the evaluation adopted a country and thematic case study approach. It answered the evaluation questions by way of three levels of inquiry:

- **Institutional level:** This level involved an assessment of EIB strategies, policies and guidelines, business model and operational practices, tools and incentive structures.
- **Country level:** This level was based on a portfolio analysis and six country case studies, selected to provide insights into EIB support for the water sector.
- **Project level:** Within each of the six countries, all water sector projects signed between 2010 and 2021 were included in the analysis. Additional thematic projects were also selected to cover specific areas of interest.

A combination of quantitative methods (a portfolio analysis and a survey) and qualitative methods (interviews, field visits, focus group discussions, and a document and literature review) were used to build a robust base of evidence and to triangulate evidence. These methods are described below.



- **Portfolio review and analysis:** Data related to water sector operations signed between 2010 and 2021 were consolidated to present an overview of the EIB's support over the period (131 operations worth €7.2 billion).



- **A policy and literature review:** This review encompassed international, European and EIB policy and strategy documents framing the EIB's approach, as well as EIB procedures and reporting in the water sector.



- **Case studies:** Six country case studies were undertaken to gain a better understanding of the EIB's support for the water sector outside the European Union. For each country, the evaluation looked at the socio-economic development status and the institutional sector context, as well as the EIB's engagement. All water sector projects in the six countries were investigated (25 projects). An additional seven thematic case studies were also examined to cover specific areas such as gender, technical assistance and operating in fragile conditions. In total, the evaluation included 32 case studies. Furthermore, all available project completion reports were included.



- **Country visits:** Project sites in two countries were visited.



- **Interviews:** Interviews were carried out with EIB staff and EIB clients (project promoters/borrowers) at both implementing level (water utilities and project implementation units) and the level of water authorities and ministries. The evaluation team also interviewed staff from other international financial institutions and donors, such as the European Bank for Reconstruction and Development, the World Bank, European Commission and EU delegations. In one case, end beneficiaries were interviewed. Interviews were conducted based on semi-structured questionnaires.



- **Focus groups:** A number of focus groups were organised in which early findings and conclusions were discussed with EIB staff. The discussions allowed additional information to be collected and the elements and trends identified during the evaluation elements to be interpreted (understanding the "why").



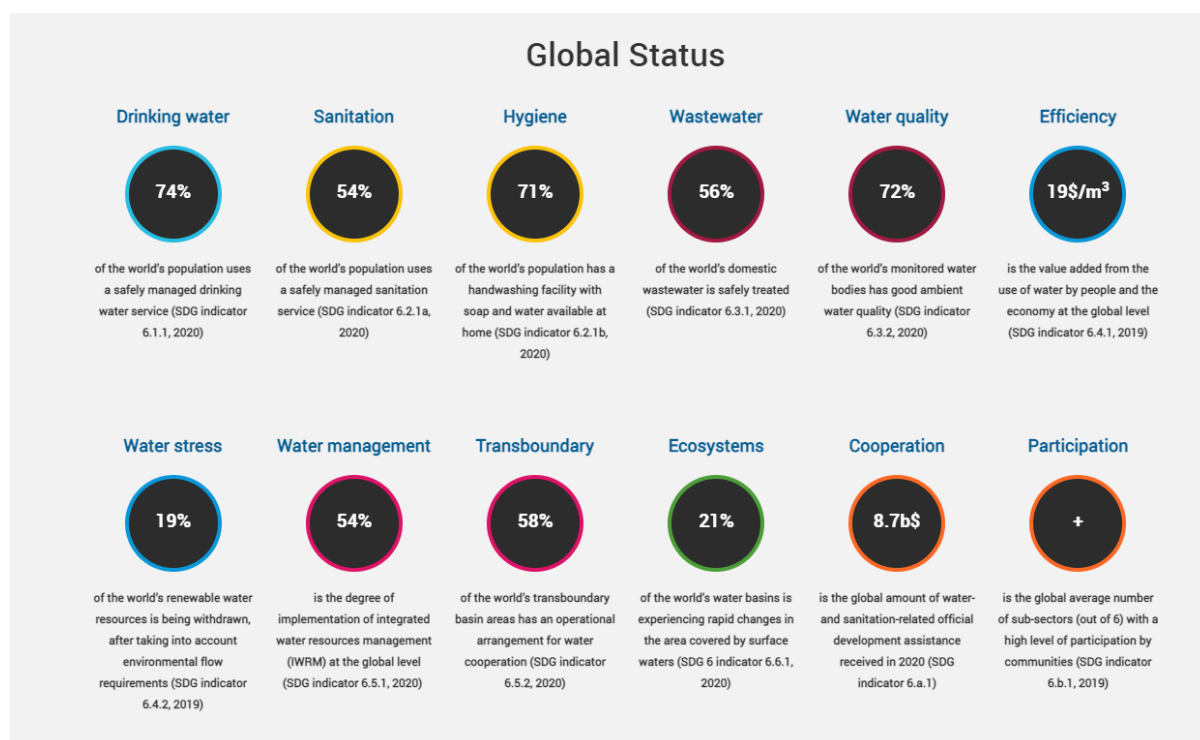
- **A staff survey:** Staff in the EIB Operations Directorate and EIB Projects Directorate who are/ had been involved in water operations outside the European Union during the last 11 years were surveyed to gather opinions about the topics of the evaluation, including reasons for delays, their experience of working with other international financial institutions and technical assistance. The response rate was 43%.

The main limitation of the evaluation was that most of the projects that formed part of the portfolio were not yet complete. COVID-19 and other complications meant that only two out of the four planned field visits could be undertaken. This was mitigated through extensive interviews at country and project levels.

1.2. Policy context

The world is not on track to achieve Sustainable Development Goal (SDG) 6 to ensure access to water and sanitation for all (Figure 2). While the human right to water and sanitation has been recognised, it is yet to become a reality for a substantial proportion of the global population. Billions of people worldwide still live without safely managed drinking water, safely managed sanitation and basic hygiene services, especially in rural areas and least developed countries. According to the latest available data⁷, one in three people do not have access to safe drinking water, two in five people do not have a basic hand-washing facility with soap and water, and more than 673 million people still practise open defecation. Furthermore, over 40% of the world's people are affected by water scarcity, 80% of wastewater is discharged untreated into rivers or the sea and 70% of deaths related to natural disasters are water related.

Figure 2: Progress towards Sustainable Development Goal 6



Source: UN Water SDG 6 Data Portal, Home | SDG 6 Data, accessed on 1 September 2022

Water is important beyond Sustainable Development Goal 6; it flows as a prerequisite through every other one of the SDGs and “there is no aspect of sustainable development that does not fundamentally rely upon it⁸.” The cross-sectoral role of water and the strong interlinkages between water and policies on areas such as human rights, gender equality, climate change, health, food security, energy, pollution control, biodiversity, desertification and land degradation is also reflected in the Council of the European Union conclusions on water diplomacy⁹, which declared water a prerequisite for human survival and dignity and a fundamental basis for the resilience of both societies and the environment.

⁷ UN Water (2021). Summary Progress Update 2021: SDG 6 – water and sanitation for all.

⁸ UN Secretary General Guterres, March 2022.

⁹ Council of the European Union (2018). Water Diplomacy - Council conclusions (19 November 2018).

1.3. The EIB's mandate(s) and water sector framework

The EIB's activities outside the European Union are guided by the EU policy direction. During the twelve-year period of the evaluation, EIB activities mainly took place under the framework of the External Lending Mandate (ELM)¹⁰ and the Cotonou Agreement¹¹. These mandates provide the legal basis and the overall funding¹² framework. They set the high level objectives and broad eligibilities for EIB interventions, in line with EU policies. EIB activities outside the European Union in the scope of this evaluation were also supported by grant funding from third parties, or under own risk facilities.

The External Lending Mandate¹³ notably foresees that *“Whilst preserving the EIB's distinct character as an investment bank, EIB financing operations carried out under this Decision shall contribute to the general EU interest, in particular the principles guiding Union external action, as referred to in Article 21 TEU and shall contribute to the implementation of international environmental agreements to which the Union is a party. The EIB governing bodies are encouraged to take the necessary measures to adapt the EIB activity to contribute to the Union external policies in an effective manner, and to adequately meet the requirements set out in this Decision.”*

Cross-cutting priorities

Over the course of the evaluation period, there has been an evolution of cross-cutting priorities of the EIB, generally reflecting changes in wider EU policies, which are relevant to water sector projects outside the European Union. The focus on climate action has strengthened, with the launch of the EIB Climate Strategy in 2015 followed by the Climate Bank Roadmap¹⁴ in 2020. The EIB Group Strategy¹⁵ on Gender Equality and Women's Economic Empowerment was adopted in 2016 and was subsequently complemented by Gender Action Plans. Increasing importance has also been put on the EIB's approach to fragility and conflict.

EIB water sector framework

The water sector portfolio covered by this evaluation stretches across two EIB water sector lending orientations. The EIB's current framework was set out in its 2017 water sector lending orientation. The document describes what investments the Bank can support and is built around the key message of the need to secure and protect water security. It states that a “lack of water security and, more generally, sustainability could translate into loss of growth and jobs, and lead to social and political tensions – and possibly national or international conflict – having an impact on the global value chains of businesses and increasing migration pressures.” It places emphasis on integrated water resource management (IWRM) and wastewater treatment as having strong environmental and public good aspects.

The EIB water sector lending orientation is being revised in 2022 in light of recent EIB policy initiatives, such as the Climate Bank Roadmap and the establishment of EIB Global. This evaluation has specifically been timed so that its findings can provide evidence to feed into the revision of the water sector lending orientation, and, at the same time, provide useful evidence for the development of a strategy for EIB Global.

¹⁰ Refer to Council and Parliament Decisions, for activities in the Eastern and Southern Neighbourhood, Western Balkans, Latin America, Asia and South Africa.

¹¹ See Cotonou Agreement - Consilium (europa.eu), relevant for activities in Sub-Saharan Africa, the Caribbean and the Pacific.

¹² For guarantee coverage under both the ELM and the Cotonou Agreement, and under the latter, endowments to the Cotonou Investment Facility and grants for interest rate subsidies and technical assistance.

¹³ Article 3 paragraph 2 of the 2014 Council and European Parliament Decision.

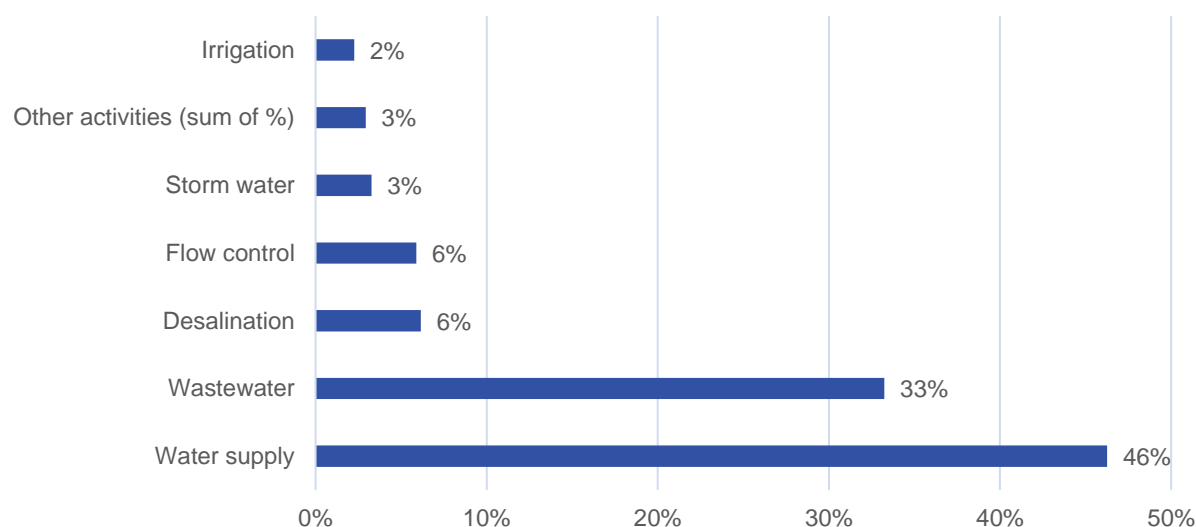
¹⁴ The EIB Group Climate Bank Roadmap 2021-2025.

¹⁵ The EIB Group Strategy on Gender Equality and Women's Economic Empowerment.

1.4. Overview of the EIB water sector portfolio (2010-2021)

From the thematic perspective, the evaluation covers water resources development and management, flood control and prevention, water supply and wastewater management, and irrigation. Figure 3 shows the distribution by activity of the volume of EIB operations signed in the water sector outside the European Union between 2010 and 2021. Water supply and wastewater treatment taken together represented 77% of the total volume signed.

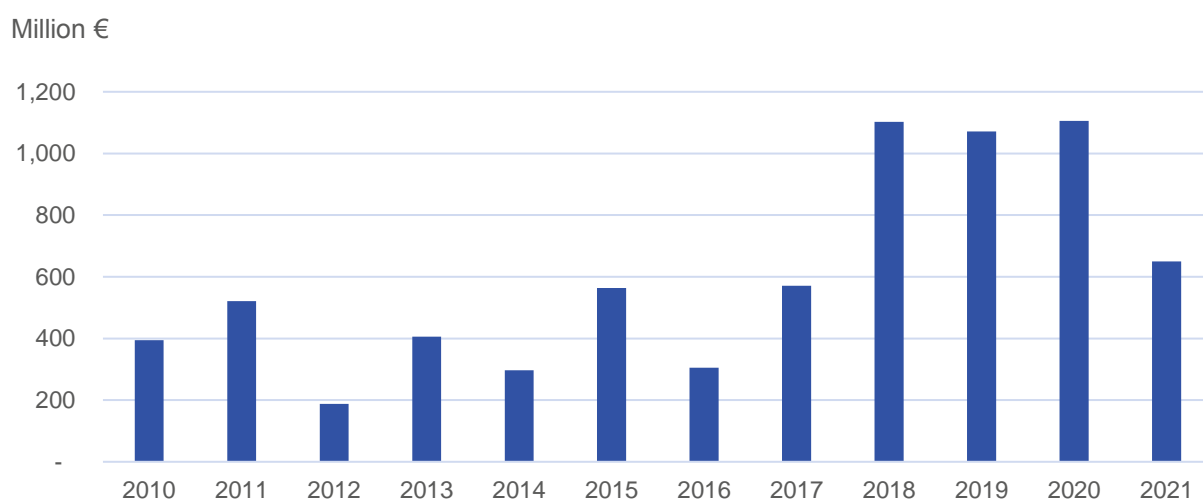
Figure 3: Volume of EIB operations signed in the water sector by activity, 2010-2021 (%)



Source: Evaluation Division portfolio review (as of 31 December 2021)

Over the evaluation period, there was an increase in the volume of lending to support the water sector, as shown in Figure 4. In total, 131 operations were signed, amounting to €7.2 billion, which represented 9% of the total volume signed for all EIB operations outside the European Union over the same period.

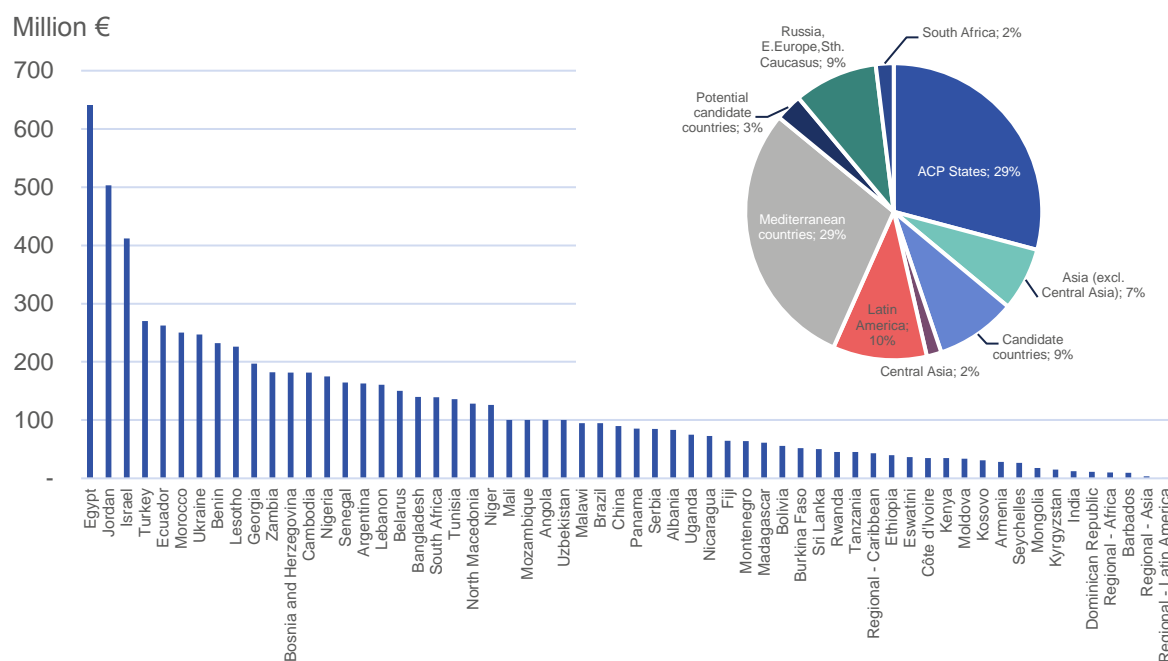
Figure 4: Total volume of EIB operations signed in the water sector, 2010-2021 (€m)



Source: Evaluation Division portfolio review (as of 31 December 2021)

The volume of lending varied considerably across regions and countries, as depicted in Figure 5. Most lending over the period was to Africa, Caribbean and Pacific (ACP) states and the Mediterranean region, with around 60% of the total volume signed concentrated in countries from these two geographical areas. Egypt, Jordan and Israel were the top three recipients of EIB support.

Figure 5: Volume of EIB operations signed in the water sector by country (€m) and by region (% of total volume), 2010-2021



Source: Evaluation Division portfolio review (as of 31 December 2021)

In line with the distribution by country, where ACP countries are significantly represented, operations undertaken under the Cotonou mandate amounted to 28% of the total volume. EIB operations financed under the External Lending Mandate (ELM) – which covers all of the regions except the ACP states – represented 61% of the total volume signed, while the remaining 11% were allocated across other mandates¹⁶.

The projects were predominantly carried out by public promoters, and the vast majority (90%) had public borrowers. Technical assistance was involved in 59% of the projects (compared with 39% in all sectors outside the European Union).

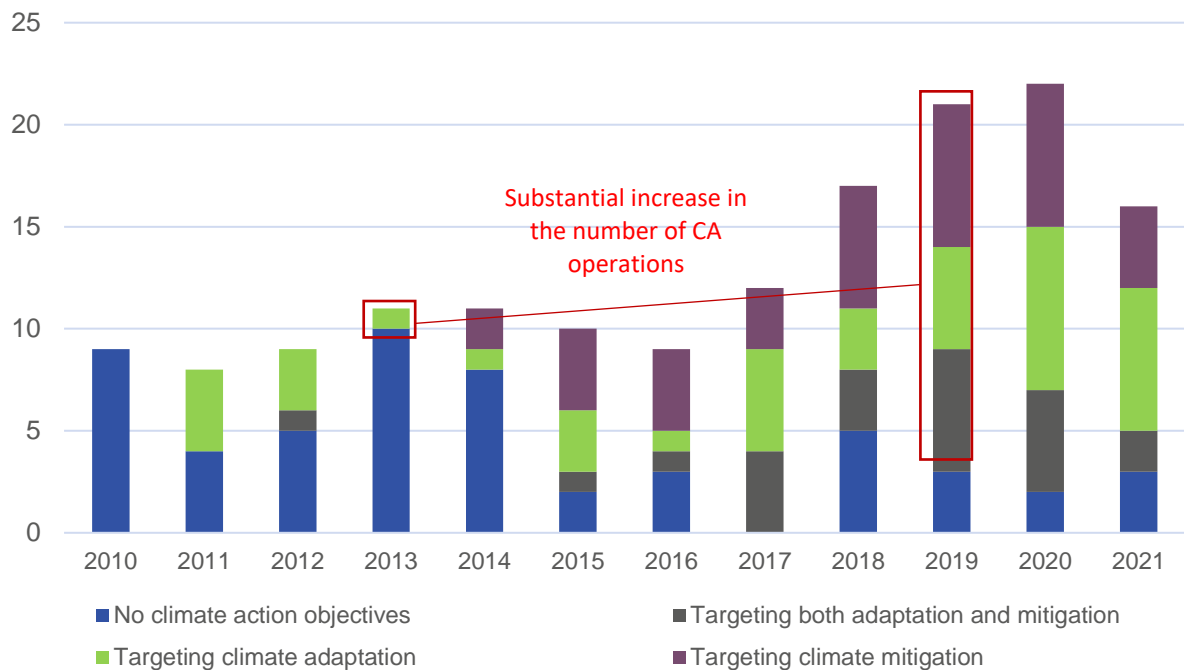
A majority of the operations (77, representing 59% of the total) were co-financed together with other international financial institutions. Of these, more than half (56%) were parallel financing, that is to say, without one of the international financial institutions taking the lead. The EIB took the lead for 25% of co-financed projects, with 19% under the lead of another international financial institution.

The vast majority of projects involved investment loans (74%) or framework loans (21%), with very few financed through equity-quasi-equity (0.4%) or multibeneficiary intermediated loans (MBILs) fully dedicated to the water sector (0.1%). In addition to €6 million being allocated under these sector-specific multibeneficiary intermediated loans, a further €17.8 million was allocated to final beneficiaries from the water sector under non-sector-specific multibeneficiary intermediated loans classified under “credit lines.”

¹⁶ European Neighbourhood Policy, EIB lending in Asia and Latin America (ALA (2007-2013)), Republic of South Africa (RSA (2007-2013)) and Pre-accession (9048M - 2007-13) categories were classified under the ELM.

Environmental sustainability and climate action objectives were strongly represented in the portfolio. Of the 131 projects, 104 contributed to climate action and/or environmental sustainability (91 to climate action and 13 to climate action/environmental sustainability). Figure 6 represents the evolution over time of the number of operations that contribute to climate action (adaptation and/or mitigation)¹⁷, which shows that there has been an increase in the number of operations supporting climate action objectives (adaptation/ mitigation) over the period. This growth was stronger than that of the total number of operations and is aligned with the changing policy direction of the EIB, with its steadily increasing focus on climate action.

Figure 6: Number of operations with climate action objectives



Source: Evaluation Division portfolio review (as of 31 December 2021)

¹⁷ As environmental sustainability was not tracked until 2021, there was no time series readily available for this evaluation.

2. PROJECT RESULTS

The evaluation found that water projects funded by the EIB were aligned with national priorities and reflected sector needs. Results were and are being achieved in line with expectations, but they are delayed, with the longest delays occurring in the start-up process before the loans became effective. While progress reporting did not consistently report on outcomes, there is evidence that the facilities financed are being used as intended and are delivering the expected outcomes. Completed projects were being physically well maintained, although there are longer term concerns on sustainability.

Projects funded by the EIB were aligned with national priorities and reflected sector needs

The EIB appraisal process served to identify the needs of the final beneficiaries and ways of responding to those needs in terms of water supply, wastewater treatment or other water sector interventions, such as flood control. In most cases, EIB projects supporting the water sector took place in regions and countries where the water supply had limited coverage, wastewater treatment facilities were lacking and, in some cases, there were severe threats from flooding. For instance, prior to the initiation of EIB projects in an ACP country, the water distribution network had covered only 70% of the capital city area, with only one-third of the population connected to the network. Furthermore, in many locations, water had been distributed for only a few hours a day. The shortage was estimated to be 60 000 m³/day and is increasing by 10 000 m³/day every year. Similar urgent and serious shortages in the water supply have occurred across other beneficiary countries as attested by the case studies.

Similarly, an EIB project supporting flood protection measures in a potential candidate country was highly relevant considering the local context: in the past the country experienced its most severe floods in the last century, with huge rainfall causing sudden and extreme flooding of several rivers and their tributaries, resulting in landslides. The consequences – urban, industrial and rural areas were submerged or cut off – resulted in damages reaching €2 billion in 2014. The Bank's two operations sought to address the issue of flood relief and protection.

In all of the projects included in the evaluation sample, EIB operations supporting the water sector outside the European Union took place in countries where there was a high need for water supply, wastewater treatment, irrigation or flood protection but there was insufficient access to finance. In the sample of nearly 30 projects, there were no cases encountered in which the project was not serving a well-documented need – all of the projects were of high priority.

The EIB aligned its support with the national and regional policy priorities. All of the projects analysed as case studies were aligned with national policies and plans, as well as local authority investment planning, and also demonstrated a close link with the Sustainable Development Goals. In aligning its investment support with national priorities, the EIB ensured strong ownership. For instance, the projects supported in a Latin American country were aligned with the country's national infrastructure plan, which identified investment gaps, in particular for wastewater treatment plants and sewage networks. The operations in the country sought to contribute to the achievement of Sustainable Development Goals 3, 6, 11 and 13 (good health and well-being, clean water and sanitation, sustainable cities and communities, and climate action, respectively) and one project was also included in the water and sanitation master plan of the beneficiary municipality.

Similarly, in another country, the projects supported by the EIB were aligned with the government's water and sanitation sector programme and the institutional reform of the electricity and drinking water sectors. The projects were also in line with the plan for the sustainable recovery of the country, which was part of the strategic framework for growth and poverty reduction. Projects were also aligned with the Millennium Development Goals, predecessors of the Sustainable Development Goals, and the objectives of the Cotonou agreement (improvement in the quality of life, poverty reduction and infrastructure development).

On an operational level, in one of the case study countries, all of the projects studied were integrated into existing investment plans and the institutional structure of the municipalities and water companies. The specific case of this country stands out: albeit the projects supported were aligned to national strategies and plans, the national mechanisms were not fully in place for supporting smaller municipalities, which meant a special institutional set up was needed to manage the EIB project. This was unlike the case in, for instance, a recipient country in Latin America, where a national development bank was in place that financed the smaller municipalities, making it a convenient partner for the EIB project.

Progress reporting was uneven and beyond the capacity of many water project promoters and missed opportunities to report on outcomes

Promoters' progress reporting was varied, ranging from a few whose reporting was close to unusable to others who had sound and appropriate reporting. The EIB's monitoring intensity was generally appropriate, with a mix of physical visits and reliance on promoter reporting and a focus on social/environmental performance. The indicators used in the reporting were aligned with EIB standard indicators, which are comparable across countries, and reflected the project objectives. In a few cases, though, indicators did not cover the progress in implementation of the new tariff policies and therefore did not allow financial sustainability to be monitored in full. In addition, reliance on the promoter led to weak reporting in several cases. Weakness in progress reporting was largely due to low promoter capacity and, in some cases, the poor reporting contributed to delays in the implementation of the project or even blocked it. The level of reporting required by the EIB was often above what the promoter could deliver, which in one instance led to the cancellation of a project in Sub-Saharan Africa. As a general response, the technical assistance provided by the Bank helped but could not guarantee good quality monitoring and reporting.

The reporting relied on the promoters and focused on physical progress. The EIB sometimes lacked sufficient insight over the outcomes and impact of projects, especially when frequent visits were not possible. This situation was exacerbated by COVID-19, which meant that external monitoring visits were curtailed. The co-financing international financial institutions often carried out more in-depth monitoring that examined both outcomes and impacts. Unlike most international financial institutions, the EIB did not conduct impact or even mid-term evaluations of projects, which could have looked deeper than progress reporting alone could.

For some of the projects loan agreements were signed based on preliminary and incomplete studies leading to unrealistic implementation timelines

For a variety of reasons, the EIB signed insufficiently prepared projects, which led to unrealistic implementation timelines that subsequently had to be revised. In a few of the cases examined through the case studies, projects were signed prematurely, with further preparation work required and up to three years until effective implementation began – examples include several projects in the Mediterranean. Oftentimes, preliminary work and feasibility studies undertaken by the promoter prior to project appraisal by the EIB were insufficient. This required further feasibility studies and environmental and social assessments. Sometimes, the design of the project was not of high enough quality, requiring additional and hard-to-arrange EIB support, including technical assistance. In a few cases, projects were well designed and based on solid feasibility reports, but the EIB was excessively optimistic in its implementation forecast. One striking example of premature signature concerns projects in an ACP country, that were signed before a feasibility study was undertaken. Consequently, it took almost five years after signature before the project could enter the implementation phase.

Water sector projects are, by their nature, vulnerable to long and extended implementation timelines. Overall, water sector projects involve large and complex infrastructure, often in built-up urban areas where land has to be acquired and where coordination with a variety of municipal operations is needed, thereby taking time to implement. This finding was confirmed in most of the case studies analysed. Owing to water-sector-specific problems — such as political and social elements, as well as compensation for land — implementation was more often subject to risks of delays than other sectors, even those involving large infrastructure works such as the energy sector. An example was one of the

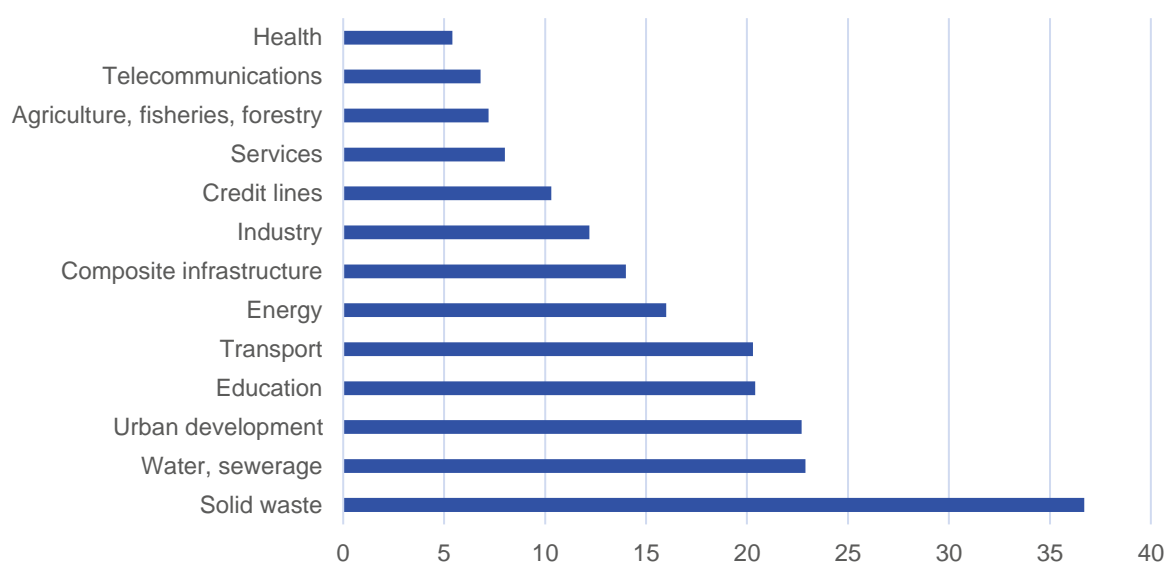
EIB-supported projects in Latin America, where social protests on the location of the wastewater treatment plant led to delays that were ultimately overcome.

The main reasons, as later outlined in Chapters 5 and 6, for early signature were that the promoters did not have ready projects and the EIB had limited resources to provide project preparation support and technical assistance. In contrast with some of the co-financing international financial institutions, which have a project preparation budget (for example the World Bank), the EIB was limited in its financing capacities as regards the provision of upstream support (at the project design phase). In many cases, promoters found that the EIB's support for project preparation was inadequate, especially when compared with other international financial institutions.

Results were and are being achieved in line with expectations but delayed

The water sector is one of the sectors with the longest time spans between the signature of the contract and the first disbursement. Lengthy delays between signature and first disbursement were observed. As shown in Figure 7, it took, on average, 23 months for an EIB-supported water sector operation to reach first disbursement following the signature of the first contract (compared with an average of 16 months across all sectors outside the European Union). In one case study, reaching first disbursement required up to four years, during which time changes took place that further complicated the project.

Figure 7: Average number of months from signature to first disbursement, by sector

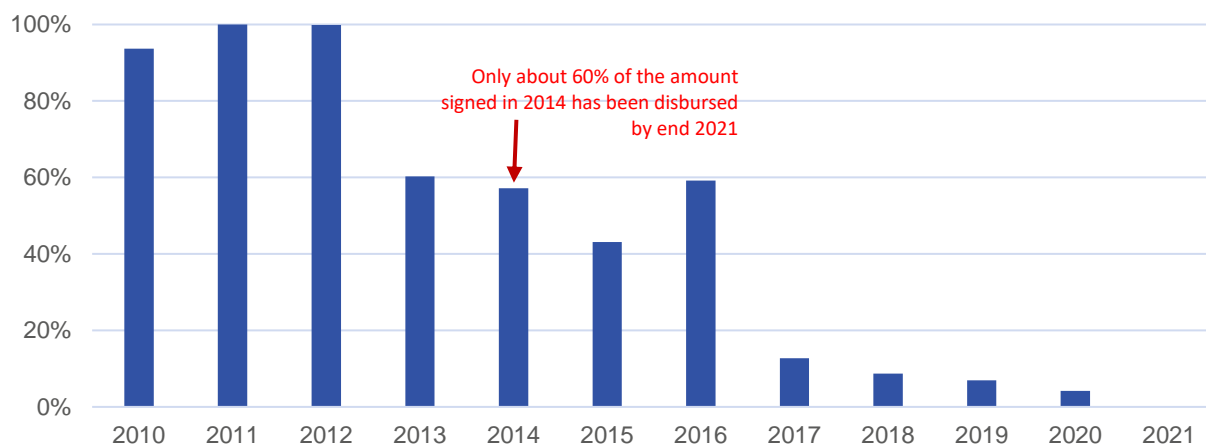


Source: Evaluation Division based on the corporate internal database

These delays are reflected in the limited number of only 11 project completion reports (PCRs) that were available for the evaluation. Once implemented, however, the water sector projects supported by the EIB produced the expected outputs. In all of the cases analysed by way of the project completion reports and evaluation field visits, the expected infrastructure was put in place, thereby successfully completing the projects. It also seems likely (based on progress reports and stakeholder consultations) that the intended results will be achieved for all other projects in the evaluation sample, including those that are not yet complete. For some projects, the quality of the engineering design and the construction was secured through the engagement of international consultants to supervise and assess the feasibility and design reports, as well as to provide construction supervision services.

Delays occurred systematically in the majority of the water sector projects supported by the EIB. Disbursements in the water sector were significantly slower than in other sectors outside the European Union. Around €2.3 billion was disbursed between 2010 and 2021, representing 33% of the total volume signed in the water sector during that period. This figure is contrasted with 62% disbursed for all other sectors outside the European Union in the same period¹⁸. For example, for 2014, only 60% of the amounts signed that year were disbursed after seven years (that is, in 2021, as shown in Figure 8).

Figure 8: Percentage of amounts signed in a given year that were disbursed by 2021 (%)



Source: Evaluation Division portfolio review

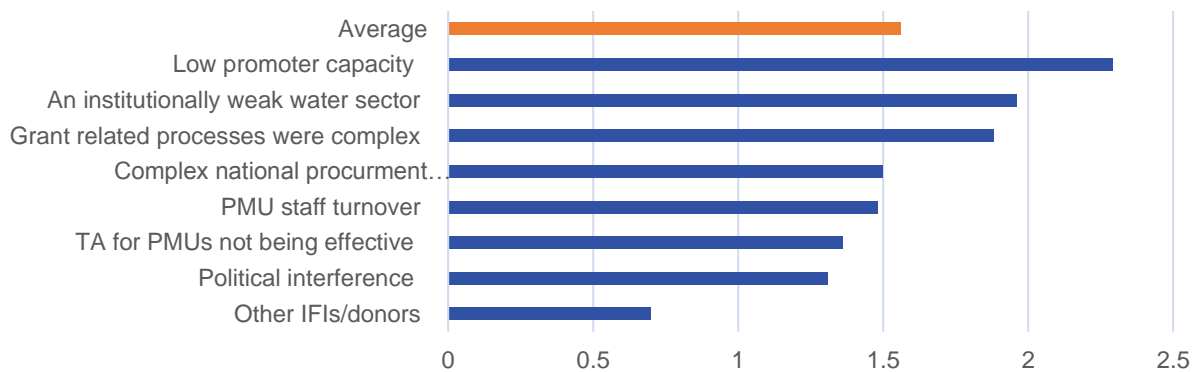
Delays to the start of implementation ranged between one and five years. COVID-19 was a major reason for project delays from early 2020 to 2022. Delays did not arise when the promoter had good implementation capacity and when there was a private sector interest in ensuring infrastructure completed in time. As the corresponding project completion report notes, “profit is a strong motivator to complete project on time and on budget.”

¹⁸ This result holds even when multibeneficiary intermediated loans, which are presumably disbursed faster, are filtered out.

Delays had a number of causes, with the longest delays occurring in the start-up process before the loans became effective

A survey of staff from the Operations and Projects Directorates actively involved in water sector projects over the last 10 years was conducted as part of this evaluation. The responses on a variety of external and internal factors that were perceived as influential in causing delays are shown in Figures 9 and 10. Some of the underlying reasons are further detailed in Chapters 6 and 7 on external and internal factors. The survey responses indicate that internal factors were perceived as more influential than external factors.

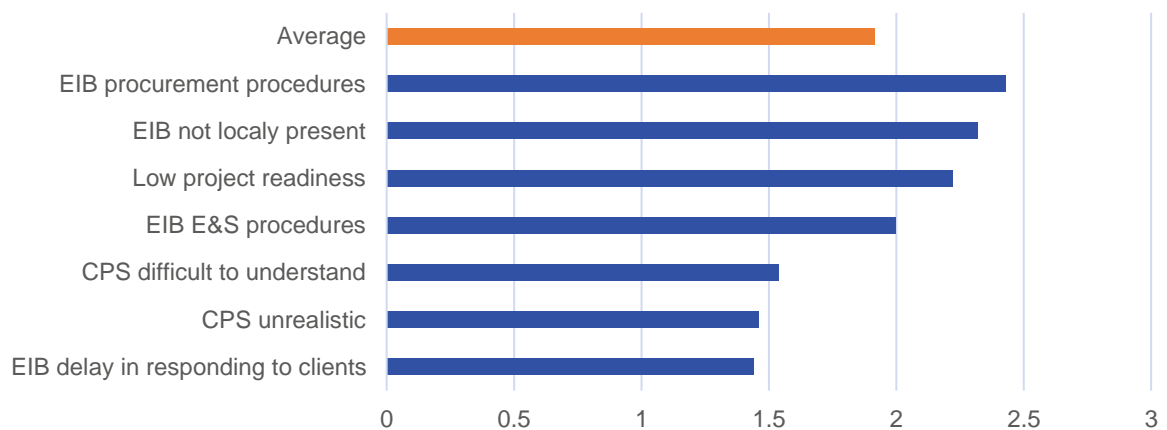
Figure 9: Ranking of external factors perceived as influencing disbursement delays



Source: Survey of EIB staff

Note: The influence of the external factors was assessed on the range from 0 (not influential) to 3 (highly influential)

Figure 10: Ranking of internal factors perceived as influencing disbursement delays



Source: Survey of EIB staff

Note: The influence of the internal factors was assessed on the range from 0 (not influential) to 3 (highly influential)

The EIB is not alone in experiencing these issues and, in response, some international financial institutions have put in place a maximum delay period before projects are cancelled. In the case of one international financial institution, a delay of more than 14 months before first disbursement will lead to cancellation of a project.

The evaluation looked at the correlation between, on the one hand, the speed of disbursement and, on the other hand, the size of the contract, the project cost, and the volume or the proportion of EIB funding. None of these variables was found to be correlated with the speed of disbursement. In other words, one cannot say that, for instance, larger projects experience longer or shorter delays in disbursement.

There were instances when the Bank's approach to the management and mitigation of various risks led to complex preconditions that had to be met before the disbursement of the EIB loan, which were prone to slowing down disbursement. The promoters interviewed as part of the case studies were of the view that, in most instances, the conditions were reasonable. However, in a few cases, promoters deemed the conditions rather complex, being difficult to understand, thus leading to implementation delays. In many cases, preconditions were linked to ensuring commitments to financial sustainability and necessary tariff increases during the lifetime of the project, which required political will and time to implement. Although most of the EIB staff surveyed found that the conditions were relevant, they also recognised that sometimes they were too complex for the promoters to understand and comply with. Low promoter capacity also led to delays in complying with these preconditions. Overall, EIB staff underlined a trade-off between the quality and complexity of projects and the risk of slow disbursement.

There is evidence that the facilities funded are being used as intended and already delivering the expected outcomes

In the case of completed projects, there was evidence of the expected results being achieved. The successful completion of the projects led to the fulfilment of the expected outcomes for all of the projects analysed, whether in terms of increased water quality, increased number of beneficiaries, improved reliability of service or improved energy efficiency. For instance, the analysis has shown that, for an operation in a candidate country, when the wastewater infrastructure was successfully put in place and operational, it indeed benefited the local community in terms of reduced public health risks arising from improved sewerage coverage and service. For another operation, the results delivered — from the potable water network extensions — significantly exceeded the requirements envisaged in the priority investment programmes. A case study conducted in one of the Mediterranean countries highlighted that the implementation of a water treatment project was successful insofar as the outputs were delivered on time and more or less on budget, despite construction happening during the COVID-19 pandemic. The success of the project can be confirmed by the fact that the level of service remained the same in spite of population growth — something that would not have been achieved without the project. However, the facility is delivering significantly less water than it was designed for. In many other projects, project outputs that have led to improved services have arisen, usually when the promoter was already strong. For the projects implemented, the economic and financial rates of return estimated after implementation were in line with the prior estimations, confirming the positive net value of projects for societies.

Completed projects were being physically well maintained although there are longer-term concerns on sustainability

The promoters and operators ensured sound physical maintenance for the few completed projects. Project completion reports and field visits attested that the completed infrastructure had been well kept and was properly functioning. This demonstrates the commitment of the local authorities, promoters and operators, as well as the soundness of the projects as a useful piece of infrastructure.

The operational capacity to operate and maintain the systems has not been tested in the longer term, as only 11 of the 131 projects had data on post-project operations since completion. In some projects, European water utility operators were brought in to train counterparts and build capacity. In one case study in an ACP country, a project was part of a formal water operator partnership. This approach is very promising, although, in another project in the Mediterranean the opportunity of having an international operator present has not been embraced sufficiently, and the handover to local management is vulnerable, as an experienced management team is not in place and has not benefited from the mentorship.

There are concerns about the financial sustainability of some projects. Sustainability issues are often related to the capacity and willingness of the promoter/public authority to align its tariff policy to ensure the financial equilibrium of the project. This issue was raised in most of the projects analysed as part of country case studies or thematic studies. The improvement in the water supply or in wastewater treatment provided by projects requires corresponding increases in tariffs to reflect the capital cost and the operating costs of the project. However, this increase hinges on the limited capacity of the consumers to pay and also on the willingness of public authorities to charge the consumers. The financial sustainability risk was usually recognised by the EIB at appraisal stage, and the Bank in most cases undertook affordability studies. However, the political risk involved in raising tariffs tended to be underestimated. Concessionality induced by blending with grants was one means that limited the magnitude of the tariff increase. To avoid raising tariffs too high, subsidies were common across the projects analysed. This was a common feature in the sector, and the concerns and approach of the EIB were similar to those of other international financial institutions, although the EIB, as described later (Chapters 6 and 7), was not in a position to engage in policy dialogue on the issue to the same extent.

3. DEVELOPMENT OUTCOMES

The evaluation found that EIB support for the water sector outside the European Union had a high potential for contributing to development. However, EIB water projects were primarily focused on infrastructure development — with an implicit assumption that others working in the sector were filling the development gap. There are examples where EIB water operations were able to contribute to strengthening national investment planning and mobilising national resources, with investments reaching smaller and more marginalised municipalities and towns. In addition, more recent projects have considered development more explicitly, but despite statements of intent, these were neither structured into the projects and built into a wider theory of change nor introduced as a focus of project monitoring. The EIB was reliant on others to ensure the development effect of its investments, and sector challenges beyond the scope of infrastructure construction — such as policy reform or hygiene promotion, which are vital to ensuring EIB projects deliver their full potential and development impact — were left to others. However, links to the work of other development partners were weak in most cases.

EIB support for the water sector had a high potential for contributing to development

Access to “sufficient, safe, acceptable, physically accessible and affordable water” is a basic human right¹⁹. Such access has the potential to improve quality of life, especially for women, who are disproportionately responsible for water at household level and often have to walk long distances to collect water. A reliable water supply is, furthermore, important for sustaining economic development and water-using industries. According to a World Bank report, poor sanitation, water and hygiene lead to 675 000 premature deaths annually²⁰. The benefits of access to water and sanitation go beyond health and are equally important for gender equality. UNICEF estimates that 80% of water is collected by women, and access to water closer to home frees up time to spend on wage-earning activities²¹. UN Water further notes that providing schools with water and latrines and promoting hygiene education in the classroom can enable girls to get an education, especially after they reach puberty²². These examples show that investing in water not only makes economic sense, but also has a catalytic effect on health, education, gender equality and jobs.

References to intended effects on economic and social development, including employment, public health, gender empowerment and, more generally, improvement in overall quality of life, were included in most of the sampled EIB water sector project documents. For example, one water project in an ACP country mentioned a significant contribution to gender and health and social inclusion benefits: *“The project is expected to render a high contribution to economic and social development, by focusing on a core area (sanitation) with considerable spillovers on health, environment, human development and virtually all sectors of the (...) economy.... Reducing health risks related to water-borne diseases will improve living conditions of the population, in particular for poor people living in low-income and vulnerable areas. The expansion of the sewerage network will have a positive impact on gender related issues such as the reinforcement of the security and dignity of women and girls who are exposed to danger when seeking a facility due to the lack of sanitation. It will create employment opportunities and benefit also local private sector development, including small and medium-sized enterprises (SMEs) by creating business opportunities like pit emptying services and pit slab manufacturing.”*

¹⁹ UN General Assembly (2010). Resolution adopted by the General Assembly on 28 July 2010. 64/292. The human right to water and sanitation.

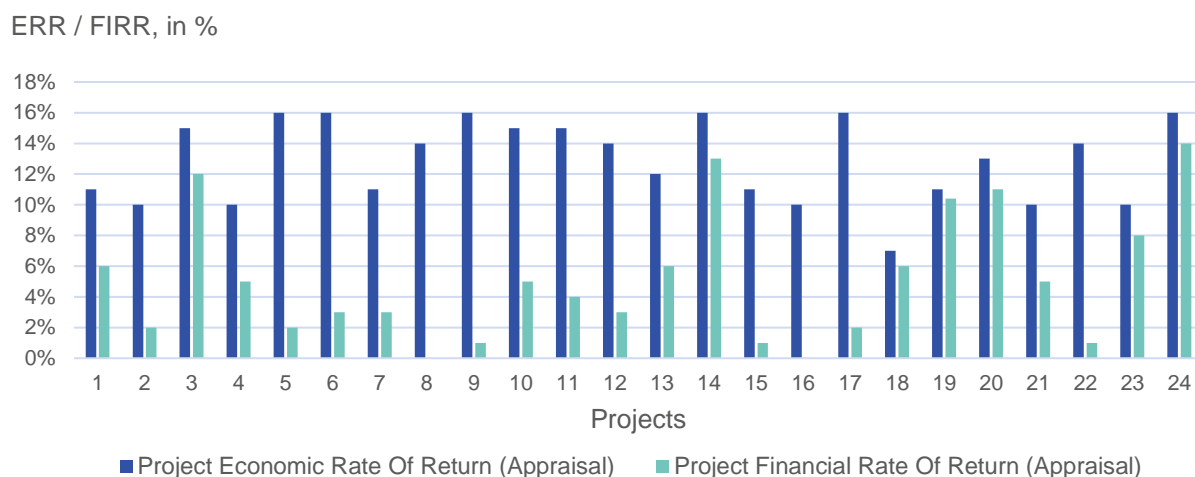
²⁰ World Bank (2016). High and Dry: Climate Change, Water, and the Economy.

²¹ United Nations Children’s Fund (UNICEF) and World Health Organization (2019). Progress on household drinking water, sanitation and hygiene 2000-2017. Special focus on inequalities.

²² UN Water (2006). Gender Water and Sanitation: A Policy Review.

This high potential for development was also mirrored in the evaluation portfolio. For a large proportion (around two-thirds) of the projects, which had either a qualitative or a quantitative value for the economic rate of return (ERR), the economic rate of return was assessed either as very good or as equal to or higher than 15%, indicating a high value for society. Furthermore, for all of the projects for which quantitative prior estimates were available, the economic rate of return was higher — sometimes considerably — than the financial internal rate of return (FIRR; see Figure 11), indicating social and environmental benefits unaccounted for by the market²³.

Figure 11: Economic Rate of Return (ERR) and Financial Internal Rate of Return (FIRR) for water projects outside the European Union



Source: Evaluation Division based on the corporate internal database

Note: Quantitative estimates for FIRR and ERR were available for 24 projects

EIB water projects were primarily focused on infrastructure development - with an implicit assumption that others were filling the development gap

The EIB was not fully engaged in the longer term, and multistakeholder engagement required to create development effects. The EIB business model was best suited to filling the capital investment gap for large infrastructure projects, leaving other sector challenges (such as policy and institutional issues or hygiene promotion and behavioural change) that were beyond the scope of individual projects to others. For example, EIB project documentation contained no or only very little mention of complementary “soft” approaches. The project focus was on delivering the infrastructure, with the built-in assumption that topics such as health promotion and customer information — both vital to ensuring that the benefits of the infrastructure are fully realised — would be covered by other efforts. However, in most cases, links to these other efforts and what they should achieve were not made.

Similarly, when weaknesses in the institutional capacity of the promoters were identified, and mitigation measures of providing technical assistance were proposed, the technical assistance sourced by the EIB tended to be aimed at getting the project implemented and ensuring adherence to EIB systems — most often by way of supporting project implementation units. The EIB did not have as strong an institutional focus as other international financial institutions, and it was less common for technical assistance to go beyond the project focus, aimed at improving governance and building the institutional capacity of the operators.

²³ The EIB adopts conservative estimates for the economic rate of return. The overall economic and social benefits might therefore be even higher than what is encompassed in the economic rate of return.

Even in instances in which there were intentions to improve institutional performance, a detailed diagnosis was often missing, leaving how this would be tackled unclear. For example, for a wastewater treatment project that was co-financed by the World Bank, the latter's documents went into more depth than those of the EIB on the institutional challenges for ensuring service outcomes arising from the infrastructure, including the national sector framework, the capacity of the promoter, and the community approaches and improved urban planning required to make the project successful.

Box 1: Water operator partnership

Water operator partnerships are peer-support partnerships between water and sanitation service providers, supported by many donors. As part of a water resource efficiency project the EIB supported a water operator partnership between a water board in a Sub-Saharan city and a European water operator.

This operator-to-operator partnership addressed the water board's operational performance, with the aim being to strengthen internal capacity. This approach proved to offer advantages compared with an earlier consultancy service contract, as a long(er) term relationship and a joint vision were developed. Even though the partnership formally came to an end, the employees at the water board have contacts and know that they can always get in touch with counterparts in Europe, should there be the need.

The collaboration showed promising results, such as improving hydraulic monitoring, improving the water kiosks services for reaching the poor and introducing digitalisation, but stopped short of tackling institutional issues. This was partly due to the management at the recipient water board not seeing the European water operator as a peer utility/organisation but as a service provider, and partly due to the project's goals and management incentives not being aligned. However, the relationship with staff — even though it took a while to mature — proved successful. Staff benefited from capacity building and on-the-job training, which in turn helped the performance of the utility. However, even at this level, there was no attempt to monitor skills as part of the EIB project, and lessons from the water operator partnership were not captured by the EIB reporting.

There are examples where EIB water operations were able to contribute to strengthening national investment planning and mobilising national resources with investments reaching smaller more marginalised municipalities and towns

It was difficult for the EIB to reach the smaller scattered municipalities where the needs were greatest. These municipalities were remote and had low capacity for project preparation and were not familiar with external finance. The use of framework loans allowed the EIB to go beyond a project-by-project approach with significant value added, enabling weaker municipalities to be reached. However, the projects generally did not have the resources or even mandate to influence beyond the project limits. The potential to trigger systemic change was weakened by low promoter capacity and high staff turnover. As most projects suffered from long project delays there was an urgent need to overcome immediate project management challenges which took precedence over promoting system effects. Two notable examples were found in the evaluation sample: one in a potential candidate country and one in Latin America. In both cases there was evidence that the framework loans were contributing to strengthening national investment planning processes and practices.

In one of the two countries, the framework loan promoter was the national development bank, which saw the EIB loan as an opportunity to improve its internal procedures, for example on the technical and especially the environmental appraisal of municipal water projects. The framework loan allowed the EIB to reach many, smaller, municipalities. In recognition of this, the EU delegation is preparing a complementary grant project to support more municipalities to make use of the facility. The EU delegation expects that this grant support, combined with improved procedures and the external finance, will improve basic services, raise the standard of living in remote areas of the country, reduce marginalisation and contribute to creating a more equal, just and peaceful society.

More recent projects considered development more explicitly, but despite statements of intent these were neither structured into the projects and built into a wider theory of change, nor introduced as focus of project monitoring

Many of the projects included in the evaluation sample stated in appraisal reports/Board documents that they would contribute to improved health, the protection of livelihoods and social development outcomes; using expected development effects to justify projects but doing so without consistent follow-up during the project life cycle. For example, one water project mentioned a significant contribution to gender and health, as well as social inclusion benefits, in the project documentation: *“The project generates important non-quantified benefits related to the reduction of the prevalence of waterborne diseases and to time savings. It contributes to the reduction in inequalities between men and women as it allows the latter, freed from the water chores, to access education and take part in paid activities. By protecting the environment and public health, the project supports economic and social development of urban and peri-urban areas confronted with a strong demographic pressure.”* While it is likely that at least some of these benefits will materialise at project completion, they were not fully embedded or matched by any detailed analysis or focus in the progress reports that allowed an assessment to be made of how far the project contributed to the envisaged development outcomes.

The more recent developmental focus is particularly noticeable when it comes to gender equality, with most of the projects approved during the last few years containing statements on gender. An example is a project in Latin America, which noted in the appraisal document that it is compliant with the EIB Gender Strategy²⁴ by improving access to jobs for women. Despite this intention, it was left unclear in the project documentation how this was going to be done. The same was true for an irrigation project in southern Asia and a water project in an ACP country.

The evaluation found evidence of projects having the intended impact (see, for example, Box 2), but due to the lack of focus on this in the monitoring efforts, the achievements were not systematically recognised or reported on. The REM monitoring which takes place three years after completion is a good opportunity for capturing development effects. However, this would require that indicators that are suitable for measuring intermediary development outcomes are identified, a baseline established and monitoring undertaken— if not by the EIB then at least by a reliable partner.

²⁴ The EIB Group Strategy on Gender Equality and Women’s Economic Empowerment.

Box 2: EIB-funded water and sanitation project improves people's lives

As part of a water and sanitation programme, several municipalities improved their water supply network, integrating rural settlements into urban water supply systems.

In one of the municipalities, the urban water supply network was extended to four outlying settlements as part of the EIB project. Over 600 households were integrated into the existing water supply infrastructure, corresponding to an increase of almost 2 500 in the number of people with access to drinking water from safely managed systems. The municipality, furthermore, constructed a water supply system that is detached from the urban infrastructure and makes use of a nearby water spring, thus providing access to safe drinking water to an additional 2 875 people.

Local citizens who were interviewed by the evaluation team demonstrated a good understanding of the water sector intervention in their municipality. Almost unanimously they emphasised the rural water supply network as the most significant achievement in the municipal water sector in the past five or more years.

In another municipality, several rural settlements gained access to the water supply system as a result of the EIB loan. This included one village where between 1 000 and 1 500 people benefited from access to clean and safe drinking water. For decades, settlements had used water from poorly protected water tanks and water streams and being able to obtain water from the municipal water system meant a significant improvement of their situation.

An 80-year-old lady was one of the villagers interviewed by the evaluation team. For her, the access to the water supply system in 2018 was an exceptional event. She said: "I cry each time I touch the tap. It reminds me of all those years I had to walk a long distance to obtain some water, which ruined my back. I bless every day the person who came to install the pipes."

For monitoring purposes, projects included standard EIB water sector indicators, such as households benefitting from improved sanitation services or safe drinking water, leaving wider development outcomes uncaptured. For example, an EIB-financed water project in an ACP country was undertaken at a time when serious political instability and civil conflict had resulted in an increase in the number of internally displaced people (in addition to migration from other countries) and increased water supply needs. The migration challenge was explicitly evoked as one of the objectives of the project in the documentation, noting that the implementation of the project would foster economic development, job creation and sanitary conditions, which in turn were expected to improve the integration of immigrants. However, these aspects were left assumed rather than optimised by being explicitly included in the project structure, which, for example, did not include a conflict sensitivity analysis. As a result, broader benefits of the project were neither measured nor captured in the reporting.

Another example in which the EIB did not monitor longer term outcomes was a project in a Mediterranean country. One of the aims of the project was to improve water quality, but EIB project documentation did not mention the baseline or subsequent water quality changes. In this instance, the tracking of the water quality was reportedly done by the national environmental authorities, but it is not referred to in the EIB project reporting or documentation, which is more focussed on the completion and progress of the physical infrastructure rather than on the final outcomes.

The EIB was reliant on others to ensure the development effect of its investments, but often the links to other initiatives were not close enough

In the majority of the case studies, EIB project documentation (appraisal and Board papers, but also monitoring reports) did not fully connect to the work that other development partners were doing that was of relevance to the project's future success and development impact. References to donor cooperation efforts were missing and, when other partners were monitoring longer term effects, this information was not referenced. For example, in an ACP country, a World Bank project included downstream activities on hygiene promotion and the construction of toilet facilities, while the EIB project focused more upstream on the update of storage facilities and transmission lines. World Bank

monitoring included the use by and quality of service for the vulnerable population, as well as gender aspects; however, this information was not drawn on to inform the EIB project.

An example of where the EIB worked closely with other partners to ensure the project is able to have the desired development effect is a water and sewage programme in Latin America. In this project, the EIB, the Inter-American Development Bank (IADB) and the Spanish Agency for International Development Cooperation (AECID) have been working in a coordinated way — each contributing according to their individual strengths. The IADB with its local presence has taken on the day-to-day supervision of the project and the EIB has provided the largest single amount of funding. The EIB supported the IADB in the need for a high-quality project management approach, while the AECID has been working to maximise the development effect. The AECID involved rural consumers and especially women in the design of the project, allowing them to organise themselves to be able to pay and carry out operation and maintenance.

While it is too early to judge the success of the project, as it has been in full operation for only a year, it is a case in which the EIB — from the start of the project — has worked explicitly with others, looking at the project as a whole and recognising the potential development effects and how to maximise these by cooperating with others to create them. More detail on this case study can be found in Box 3.

Box 3: Creating a development effect by working closely with others — A case study from Latin America

An EIB-financed water project in Latin America, focuses on unserved rural areas that have very low connection rates (34%), a high use of pit latrines (83%) and frequent interruptions in service. The project explicitly set out to deliver more than pipes and taps, aiming to raise living standards through the provision of basic services, while triggering gender-equality changes at community level for self-empowerment in rural areas.

The project is co-financed by the Inter-American Development Bank (IADB), the Spanish Agency for International Development Cooperation (AECID) and the European Union. The AECID funds local non-governmental organisations to allow them to build capacity in communities, while ensuring women are involved in the governance of water. A reduction of gender violence is part of the project, as the much desired investment creates an entry point and opportunity for change.

Later on, once the pipeline is completed, the project will provide grants to another three non-governmental organisations to support the connection of houses in more remote villages to the main pipeline. This would not have been possible without financing from the EIB for the main pipeline.

The lessons on achieving a development effect that are already emerging from this project are as follows:

- The project should be highly explicit in the development aims from the outset, and development actions should be monitored and reported on during implementation (and thereafter).
- The loan should be used for technical assistance and development activities (also referred to as software) rather than relying only on grants for these components, as grants are too vulnerable to being delayed and are impractical in terms of the time it takes to access them.
- The EIB should be open to working with non-governmental organisations and agencies that are local and familiar with the development issues and context.
- Conditions should be considered to ensure that promoter staff are retained and turnover is reduced so that the institutional memory and capacity built by the project is not lost.

The above lessons are not easy to implement but to a large extent they have been implemented in this project. A key point is that EIB did not have to work with non-governmental organisations or get involved in institutional strengthening (although it has much to offer) if it can work with and link the projects to the efforts of others.

4. CONTRIBUTION TO ENVIRONMENTAL SUSTAINABILITY AND CLIMATE ACTION

EIB water projects applied the Bank's environmental standards, introduced best practice and, by doing so, contributed to a strong environmental performance. From 2010 to 2021, the proportion of water projects outside the European Union that recorded a contribution to climate action objectives grew. Over 50% of the EIB water sector projects in this period contributed to climate change mitigation, with climate change adaptation receiving increasing attention in more recent projects. However, most of the adaptation-related interventions focused on the resilience of infrastructure, without fully grasping the opportunity for systemic change. Relatively few projects were dedicated to integrated water resource management or wider forward-looking conservation of water and natural resources, which usually involve high operational expenditure. Wastewater treatment was undertaken in some projects, and this has and will contribute strongly to environmental sustainability.

EIB water projects applied the Bank's environmental standards and introduced best practice, which contributed to a strong environmental (and social) performance

All projects in the sample conformed to the Bank's Environmental and Social Standards²⁵. By doing so, they raised awareness and exposed partners to best practice. For example, promoters in ACP countries and in the Mediterranean noted that the EIB had higher environmental and social requirements compared to national standards and other international financial institutions. The EIB furthermore applied best practices as regards to risk management, including risk screening to enhance the resilience of the investments (starting in 2019).

While there was a tendency to focus on compliance, safeguarding and "do no harm" considerations, the evaluation identified examples in which EIB projects contributed to increasing the environmental performance of the projects it supported. In several of the case studies, EIB engagement encouraged promoters to explore additional environmental benefits and opportunities that water projects could bring; for example, the previously highlighted projects in the Mediterranean, in which treated water was reused for irrigation purposes, and in an ACP country, where sludge was turned into biogas, thus reducing energy costs at the treatment plant. While there was potential for these practices and innovations to be embedded in national systems, most of the time their adoption was limited to the project sphere, as (other than for the largest promoters) once the project was completed, the promoter would be unlikely to replicate a similar level of investment and thus the exposure to new practices would risk being lost.

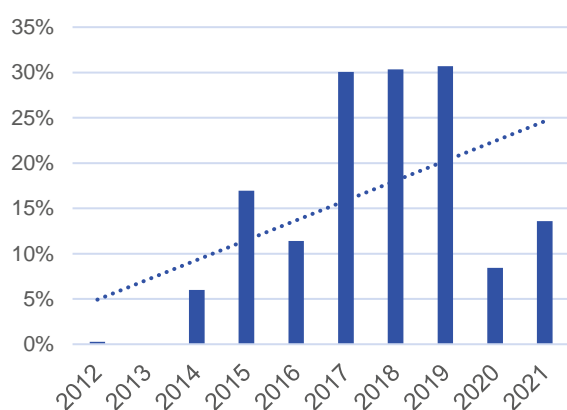
²⁵ The EIB (2022) Environmental and Social Standards (European Investment Bank Environmental and Social Standards (eib.org)), commit the Bank to apply the principles of EU directives. The standard on pollution states: "All projects located in the rest of the world shall comply with the applicable national legislation and the standard which reflects the core principles and essential procedural elements laid down by EU legislation and policies that the EIB considers relevant to environmental quality standards and/or emission limit values, the safe use and management of dangerous substances and environmental sound management of waste as outlined in the standard. The EIB shall agree with the promoter the applicable requirement of EU standards on a case by case basis taking into account local conditions and specificities."

The contribution of water projects to climate action objectives (adaptation, mitigation or both) has grown between 2010 and 2021 - it was too early to conclude on the contribution to environmental sustainability as this has only been measured more recently

The number of water projects recording climate action objectives has increased. This increase is in line with the strategic direction of the Bank and its increasing focus on climate action. Of all the EIB water sector operations outside the European Union signed between 2010²⁶ and 2021, 70% included a climate action objective. Earlier projects reported less on climate action than newer projects. Of the 11 available project completion reports only two went into detail on climate action. The same tendency is apparent from the portfolio analysis and country case studies. There was a significant increase in the number of operations that included a climate action objective over the years — from 2017 to 2021, 84% of the projects recorded climate action objectives.

Furthermore, the volume of EIB lending to the water sector outside the European Union allocated to climate mitigation (Figure 12) and climate adaptation (Figure 13) increased over time. For mitigation, it reached 30% of the total volume signed in 2017, 2018 and 2019. For adaptation, it increased sharply in 2020 and 2021 to 33% and 45%, respectively.

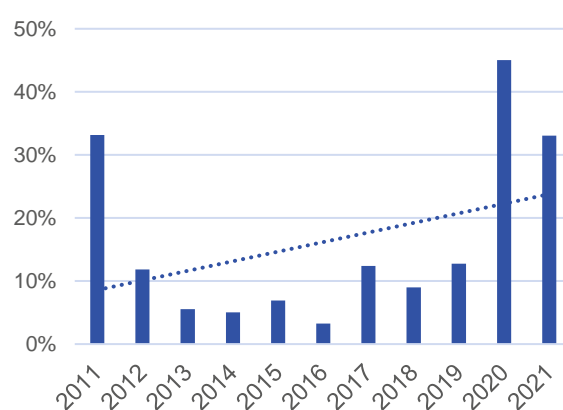
Figure 12: Volume of EIB water sector lending OEU dedicated to climate mitigation (% of total EIB financing per year)



Source: Evaluation Division based on the corporate internal database. Based on “Eligibility level 3” variable.

Note: The same operation can have more than one eligibility. Eligibility refers to how much of the net amount signed per operation is allocated to the climate mitigation objective

Figure 13: Volume of EIB water sector financing OEU dedicated to climate adaptation (% of total EIB financing per year)



Source: Evaluation Division based on the corporate internal database. Based on “Eligibility level 3” variable.

Note: The same operation can have more than one eligibility. Eligibility refers to how much of the net amount signed per operation is allocated to the climate adaptation objective

Over the period of the evaluation, there was an increase in the incorporation and consideration of the projects’ climate action contributions in the appraisal and design phases. The potential contribution of the sector to climate action is high, and this is reflected in the appraisal ratings of EIB water sector projects, which were assessed as contributing highly towards climate action objectives. For various reasons, there appeared to be “under-reporting” of the contribution of water projects to climate change mitigation and adaptation objectives in the earlier years. Interviews with EIB staff showed that this could be explained partly by a refinement of the methodologies/calculation used and partly by the more recent policy direction, that is the EIB being the EU climate bank and promoting EIB staff to pay more attention to climate action. However, it is broadly agreed that the changes mainly relate to the narrative

²⁶ Climate action formally started to be tracked in 2011, hence no climate action reported in 2010.

description at the appraisal stage and there is little or no follow-up later, which was described by some staff as a box-ticking exercise.

Since environmental sustainability was not tracked as a cross-cutting EIB public policy goal until 2021, there was no time series readily available for this evaluation to draw on. However, by meeting the EIB's high environmental and social standards, water sector projects contributed positively to environmental sustainability. Examples identified as part of the evaluation case studies included wastewater treatment, as well as the promotion of resource efficiency (energy and water).

From 2010 to 2021, over 50% of water sector projects outside the European Union contributed to climate change mitigation. Case studies showed that projects contributed to climate change mitigation mainly through increasing energy efficiency and, in some cases, by supporting the use of renewable energy and the reuse of energy. In a Mediterranean country, stakeholders noted that the EIB had a reputation for promoting renewable energy, although this was not evident from the case studies investigated. A reason for this might be that renewable energy is a newer political direction of the EIB, which — given the length of time it takes for water projects to be prepared — has not yet translated into loan signatures. More recently, the EIB has been working hard to convince partners to include more renewable energy in water projects, for example in a large multistakeholder desalination project in the Mediterranean. Energy efficiency measures were often included in the design of projects; case studies found examples of the installation of more efficient water pumps in several projects in the case studies. In an ACP country, the inclusion of renewable energy (solar and biogas) was considered (but had not yet been implemented) to cover 25-50% of the energy consumption on the wastewater treatment plant. Water loss reduction is another important area of contribution to climate action, which EIB projects have identified and where relevant supported.

Climate change adaptation has received increasing attention in more recent projects. This was reflected in the increasing proportion of adaptation financing recorded in the EIB water sector projects, and also in the appraisal and board reports, in which the narrative project description often used resilience or adaptation as “selling points” for the projects (for example the drought resilience project in an ACP country and a flood protection project in a potential candidate country).

EIB water sector projects contributed strongly to the resilience of infrastructure investments, however the opportunity for systemic change was not fully grasped

The EIB recognises two main types of climate change adaptation projects: (1) investments that are adapted to climate change and (2) projects that enable adaptation to climate change and build resilience to climate change. EIB water sector projects generally tended to focus on the first type of adaptation, namely reducing the climate risks by climate proofing and adapting the project/infrastructure to climate change, rather than enabling adaptation to climate change. In an ACP country, the raising of a dam enhanced local resilience to flooding and drought. In a project in Latin America, a wastewater treatment plant was climate proofed by considering sea level rise and flood risks at the design stage. Projects that enabled climate change adaptation and built resilience, such as a project that developed flood forecasting, were less common.

More systemic adaptation requires looking beyond individual projects and should be in line with broader, long-term climate resilience and sustainable development goals. In this regard, national-, regional- and local-level adaptation strategies and plans play a key role in ensuring that different adaptation actions work towards the common goal of a more climate-resilient society. In line with the findings on development effects, looking at climate action and environmental sustainability specifically, the country and thematic case studies demonstrated that EIB water sector projects generally did not look beyond the project-by-project approach — in line with the business model of the Bank at the time, itself influenced by the limited resources available. This meant that because the EIB worked at the project level it was not fully able to create the systemic changes at sector level that could lead to transformative change and the replication of the innovations even when introduced at project level. The potential to make the project loans conditional on or at least support the implementation of water or environmental reform was difficult to exploit given the limitations.

A circular economy approach is aimed at the reuse of water to reduce the need for water treatment by separating waste streams and by introducing approaches that minimise energy use and waste. Taking a circular economy approach in the water sector contributes to environmental sustainability but also enhances climate adaptation by making fewer demands on increasingly scarce natural resources. It also supports climate mitigation as a circular economy by reducing waste and energy use and, at the same time, it will also reduce greenhouse gas emissions. In the EIB water sector projects outside the European Union, a circular economy approach that aims to recover waste and reuse water (for example in irrigation) was undertaken with good results where it was applied, but it was not used systematically.

The nexus approach looks at water in a holistic way, considering different uses in agriculture, in energy and for industrial and domestic consumption. It aims at introducing long-term environmental sustainable considerations and especially at enhancing climate adaptation by encouraging the best and most efficient use of scarce water resources. Similar to the circular economy approach, the nexus approach to sustainable management of water was not strongly promoted in the EIB water sector operations outside the European Union — partly because of promoter readiness. For example, in a Mediterranean country, the use of sludge for fertilisation and the use of renewable energy were considered but discarded because the promoter was not ready to adopt these measures, as outdated local legislation did not allow them. The European Union engaged in policy dialogue around the issue, but stronger coordination across line ministries (agriculture, energy and water) was needed. As it was outside the scope of the project, the EIB did not pursue this further. This could be seen as a missed opportunity to create systemic change. The timing of when to promote change is important and a step by step approach is more likely to be successful once credibility has been gained through advances in infrastructure development.

Box 4: Examples of nature-based solutions in the water sector

Nature-based solutions are actions that protect, sustainably manage or restore natural ecosystems, and that effectively address societal challenges such as climate change, food and water security, and disaster risk reduction, whilst simultaneously providing human well-being and biodiversity benefits¹.

EIB water sector projects made limited use of nature-based solutions and included limited considerations of the development co-benefits of climate action financing. However, some cases do exist, such as in one of the candidate countries, where the EIB invested in a river front urban redevelopment project, which included improvement of the riverbed with an efficient hydraulic regime to prevent future flooding in the area. In doing so, the EIB supported the local green city action plan and exemplified the use of improved environmental planning. The project was helping the city to become more resilient and adapted to climate change and the project is also expected to contribute to an improved environment.

Another positive example was found in an EIB water project in an ACP country, where the EIB financed the raising of a dam. Deforestation was a major challenge in the catchment area and there was a need to restore the forest cover, which is the source of the local river. The afforestation measures implemented as part of the project are expected to protect the catchment area and increase the capacity of the dam. Although not reported/monitored, the use of these natural flood and catchment management measures will most likely improve the status of the water bodies and produce co-benefits for ecosystems and biodiversity.

¹ Taken from the World Bank Climate Explainer: Nature-Based Solutions ([worldbank.org](https://www.worldbank.org)), accessed 20 September 2022

Relatively few projects aimed at contributing to integrated water resource management or wider forward-looking conservation of water and natural resources

The 2017 Water Lending Orientation recognised the crucial contribution of integrated water resources management (IWRM) to environmental sustainability through ensuring a holistic approach to water conservation, the management of water quality and long-term efforts in protecting catchments through forestry and sustainable agricultural practices. Despite this, IWRM was not a strong focus of water sector projects outside the European Union and most EIB water projects financed infrastructure aimed at constructing, implementing and managing the infrastructure. Climate change adaptation and environmental sustainability are not only closely associated with the development of infrastructure itself, but also dependent on adopting an integrated approach to water resources management.

Generally, projects did not optimise the opportunity to transfer EU innovation and know-how from Europe to institutions in developing countries regarding the water and wastewater directive, biodiversity, river basin management, etc. This is important because EIB projects offer a practical opportunity and channel for transferring such know-how and for contributing to improving project performance and influencing practice in the sector. However, examples do exist, one of which is in Asia, where a condition for receiving financing under a framework loan was that the sub-projects were covered by river basin management plans and/or integrated water resource management plans. This was required to ensure that the source of water supply for irrigation was sustainably managed.

Wastewater treatment was undertaken in some towns and has/will contribute strongly to environmental sustainability and climate action

Wastewater treatment is recognised as making a significant contribution to environmental sustainability by ensuring that industrial and domestic liquid waste is treated before it enters the receiving environment. The environmental effect comes about because pollution is removed from the water. This makes it safer for human contact and also benefits the ecology, fauna and flora by reducing the over-nutrition of water bodies, both rivers and lakes. The 2017 water sector lending orientation recognises the public good aspect of wastewater treatment; which would typically be underprovided by the market as it does not generate a commensurate financial return. This market failure provides the rationale for the EIB intervention. It provides both environmental and health benefits. If properly managed, wastewater can be a source of water, energy and fertiliser, hence contributing to a circular and resilient economy. As previously highlighted, in several ACP and Latin American countries, the use of sludge to produce biogas was included in the design of the wastewater treatment plants, with the aim being to reduce greenhouse gas emissions and increase energy efficiency (for example, in one of the Latin American countries, 60% of the country's wastewater treatment plant's energy consumption will be covered by utilising the digester gas). In the Mediterranean countries, the EIB has supported the wastewater sector with several projects.

Even in instances in which projects were not in compliance with the EU directive discharge standards²⁷, such as in one of the Latin American countries, the environmental improvement introduced by wastewater projects financed by the EIB will be significant compared with the baseline situation, because the treatment standards being applied are better than national standards and practice. The wastewater treatment furthermore contributed to the implementation of the Clean Oceans Initiative (One Planet Summit)²⁸, as it consists of sewer networks, wastewater treatment plants and storm water networks located in the proximity of the coast and so will positively contribute to limiting domestic and industrial pollution of the oceans. However, none of the wastewater treatment cases included in the country case studies included indicators that allowed the actual discharge level to be tracked after completion of the project. Therefore, the evaluation was unable to assess whether the wastewater treatment plants delivered the expected environmental benefits, especially considering the weakness of (some) promoters in adequately operating and maintaining the project-financed assets.

²⁷ UWWT Directive (91/271/EC).

²⁸ Clean Oceans Initiative | One Planet Summit.

5. EXTERNAL FACTORS

EIB water projects faced challenges that were beyond the influence of the EIB's project-by-project approach. The challenges that the sector faced, such as low promoter capacity and the financial viability of the water utilities, needed systemic changes and could not be solved at project level. Grants, especially for technical assistance, provided an opportunity to respond to the challenges of low promoter capacity. However, the grant processes were often too complicated and disconnected from the project, and there were examples in which this led to delays in the loan project. When the EU delegation in question was engaged through sector activities (or as part of closer association, as in the Western Balkans), the EIB water projects benefitted from the EU agenda and also contributed more strongly to EU policy goals. By working with other international financial institutions, EIB projects benefitted from the stronger local presence and policy mandates of others. However, the opportunities to benefit from, and make use of, the information and reporting from international actors working on the same or similar projects were not fully grasped.

EIB water projects faced challenges that were beyond the influence of its project-based lending

The evaluation evidence indicates that the most significant causes of delays were low promoter capacity and an institutionally weak and fragmented sector (compared with the transport and energy sectors, for example), followed by complex grant procedures. (see Figure 9 in Chapter 2).

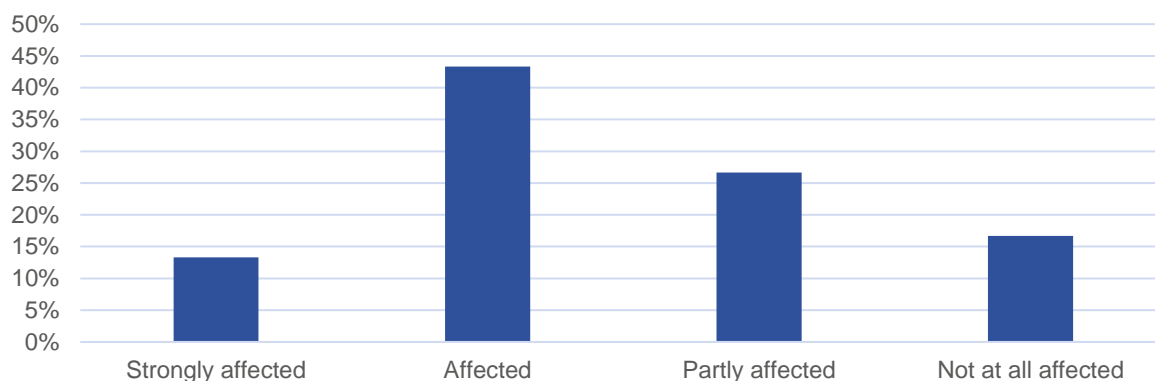
Sector-level challenges, usually related to the wider enabling environment, led to project delays and influenced the likelihood of achieving sustainable outcomes. This was confirmed through field visits, the country case studies of close to 30 projects, and the 11 project completion reports, together with a wide range of interviews. One source of delays was that in many countries the EIB loan projects had to be ratified by parliament, a process that could take years and lead to corresponding delays. In one specific case, the complex institutional set-up of the country induced delays because of the necessary legislative articulation and coordination across various entities and governance levels. Other project delays were caused by the absence of a strong local private sector for providing the design and construction services that the projects needed. The framework loans in a potential candidate country were examples of the difficulties in contracting qualified consultants for design leading to delays. Projects in one of the Latin American countries were delayed by the absence of a strong contractor industry that could respond to tenders.

Another common factor leading to delays was instability in municipal governments and water utilities, often linked to elections. This led to rapid turnover in project management unit staffing and a loss of capacity and project management delays. This was particularly evident in the two abovementioned projects, where these delays directly affected most of the water projects being financed in those countries.

As noted in earlier sections, among the challenges that influenced the achievement of sustainable outcomes were an environment of low tariffs/inadequate tariff policies, poorly performing institutions and ineffective governance that threatened future operations and maintenance. Even when the risks were identified, as they usually were, it was difficult to find project-level mitigating measures that could realistically address the issues. The case studies and project completion reports found that poor governance and progress on reforms were major factors behind the sustainability of EIB-financed investments. This is also reflected in the staff survey (Figure 14), which shows that 60% of the respondents found that governance and progress on reforms affected or strongly affected the sustainability of EIB-financed projects.

A common factor among these challenges was that they were rooted at sector level and sometimes even above sector level and were beyond the reach of individual projects. The nature of the challenges meant they could be addressed only through longer term reforms led by national actors. There were limits to the influence and change that a single project or even a portfolio of individual projects could achieve to avoid delays and ensure sustainable outcomes.

Figure 14: Perceived influence of governance reforms in the water sector outside the European Union on the sustainability of EIB projects (%)

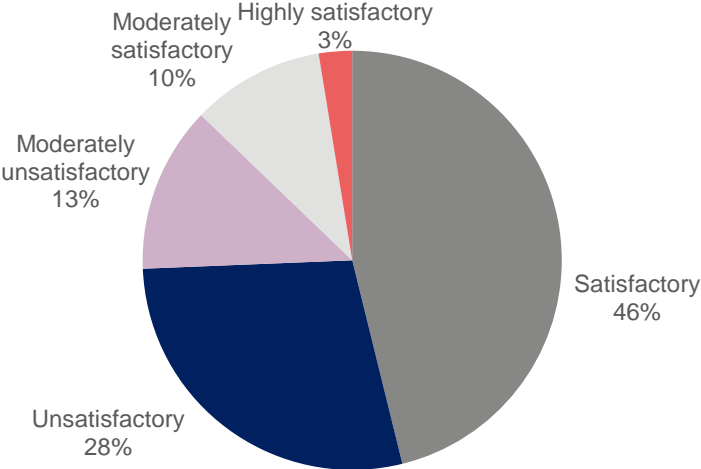


Source: Survey of EIB staff, n=30

Weak promoter capacity was recognised at appraisal stage but in hindsight was often underestimated and was a major factor in generating delays

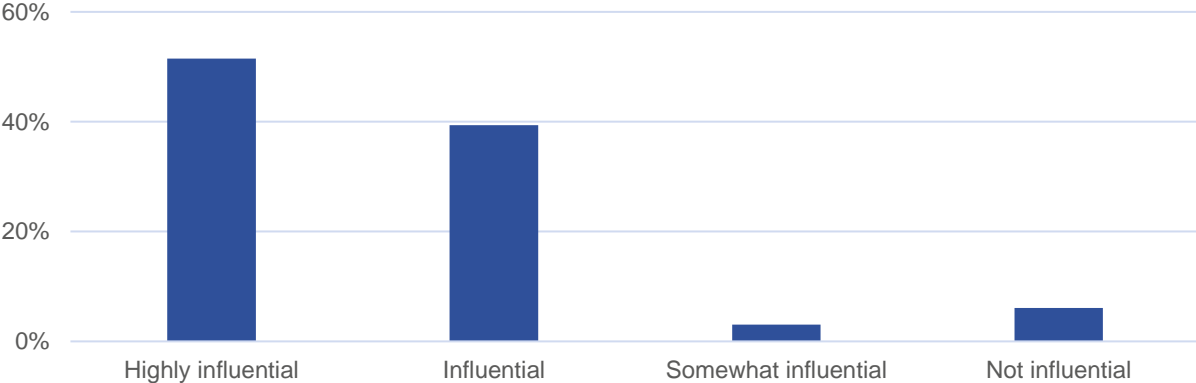
The large, complex projects typically financed by the EIB demanded a high level of promoter capacity. For these projects promoters needed strong project management skills and the confidence and familiarity to adjust their own procedures to follow EIB principles. With the exception of those projects serving capital cities or very large towns, the promoters were mainly involved in operating facilities and rarely undertook major capital works, which meant that there was little track record for complex project management. The risks were recognised at appraisal stage as demonstrated in Figure 15, which shows that more than 40% of the project appraisals had assessed the promoter capacity as being either unsatisfactory or moderately unsatisfactory. The staff survey also found that low promoter capacity was an influential to highly influential factor in causing delays (Figure 16).

Figure 15: Assessment of promoter capacity from a sample of 39 projects appraisals in the evaluation sample (for which there was data on promoter capacity), including project completion reports



Source: Evaluation Division based on project appraisal assessments

Figure 16: Extent to which low promoter capacity was perceived as influential in causing disbursement delays (%)



Source: Survey of EIB staff, n=33

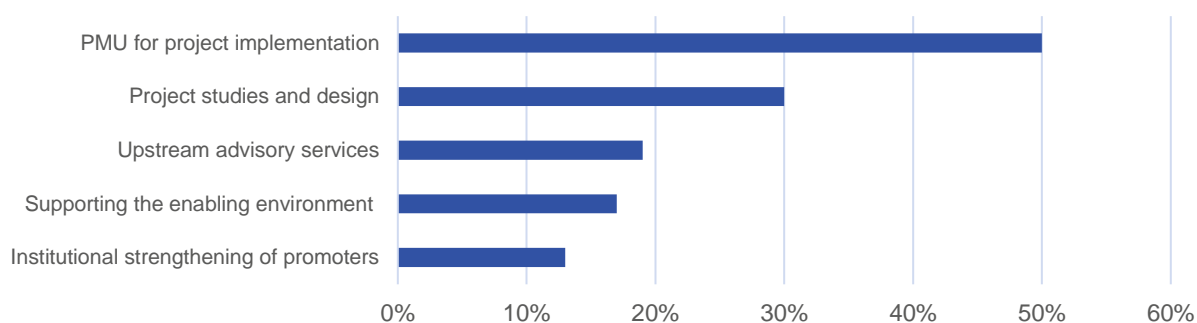
In response, the most common mitigation measure was to demand that a stand-alone project management unit be set up to manage the project. While this was sound, in that it clearly allocated responsibility and sufficient resources to manage the project, in practice it did not always work as intended. The turnover of staff in the project management unit was cited by interviewees as being a major factor in promoter weakness. An extreme example was found in a project in Latin America, where entire teams that had been trained were changed. Project management unit staff seconded from the promoter did not always have the skill level required and could easily be drawn into core operations, dividing their attention, as was clearly the case in a project in one of the potential candidate countries. Across the 25 projects in the country case studies, technical assistance was provided to support project management units in 89% of cases and was often pivotal in ensuring that the projects were well managed.

The use of technical assistance, the high turnover and the tendency for the project management units to operate as stand-alone units meant that, even after exposure to several projects financed by different international finance institutions, the promoter capacity remained weak. Technical assistance was not a complete solution because even good technical assistance could not fully mask high-level management failings. In some countries, it was reportedly difficult to find suitable local consultants who were sufficiently familiar with EIB procedures, and it was considered too expensive or inappropriate to hire international staff.

Grants, especially for technical assistance, were essential but the grant processes were often too complicated and disconnected from the project and led to delays in the loan project

Grants for technical assistance to support project management units and to carry out feasibility studies and designs were very welcome. However, such grants were often not sufficient, considering the circumstances of the projects and the environment in which they were being implemented. This finding corresponds closely with the view of the survey respondents that the available technical assistance support was generally not sufficient, especially for supporting the project management units as shown in Figure 17.

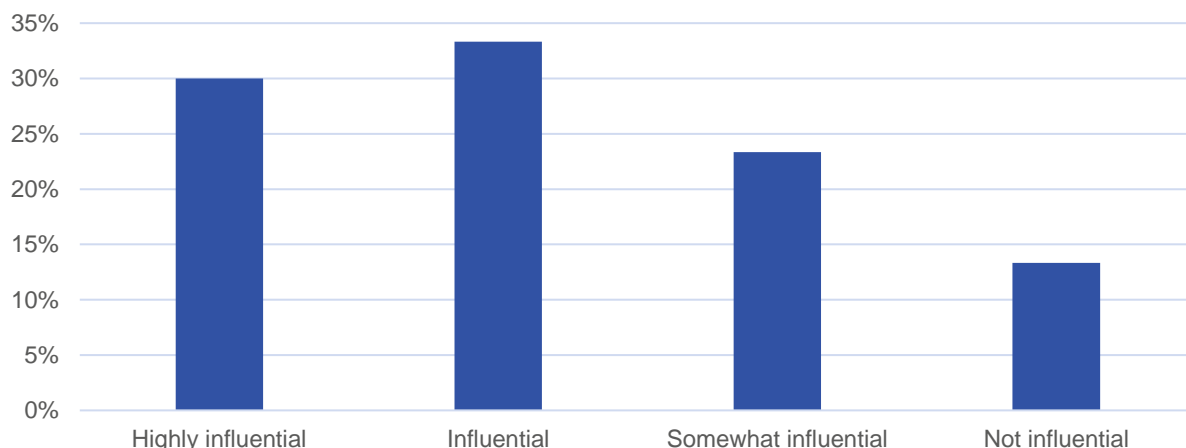
Figure 17: Perception of sufficiency of technical assistance for different areas (% of responses finding the technical assistance sufficient)



Source: Survey of EIB staff, n=27

Moreover, the grants were not easy to access or manage. When it was the job of the promoter to apply for the grant – as in the case of the Western Balkans – the application process was sometimes beyond the promoter’s capacity and deadlines were missed; several examples of this were found. Applying for grants was time consuming and there were cases in which the project management units with technical assistance, spent a disproportionate amount of time searching piecemeal for grants, which led to delays in the project implementation. This was also true for grant/technical assistance sourced by the EIB, which in many cases took significant time to access, tender for follow-up, and is reflected by the survey of EIB staff (Figure 18). The decision-making process and the time schedule of the grants was often not well linked with the loan, meaning that, in some cases, by the time the loan was ready, the grant was near the end of its life, as was the case for an example in Latin America. In one case, in sub-Saharan Africa, a grant was subject to investigation, which led to long delays in the loan project. At least one international financial institution operating in a similar market as the EIB had in response to these issues structured its projects so that the grant elements did not affect the progress of the main loan and came at the end of the process, as an incentive to achieve early results.

Figure 18: Extent to which grant related processes were perceived as complex and influential in causing disbursement delays

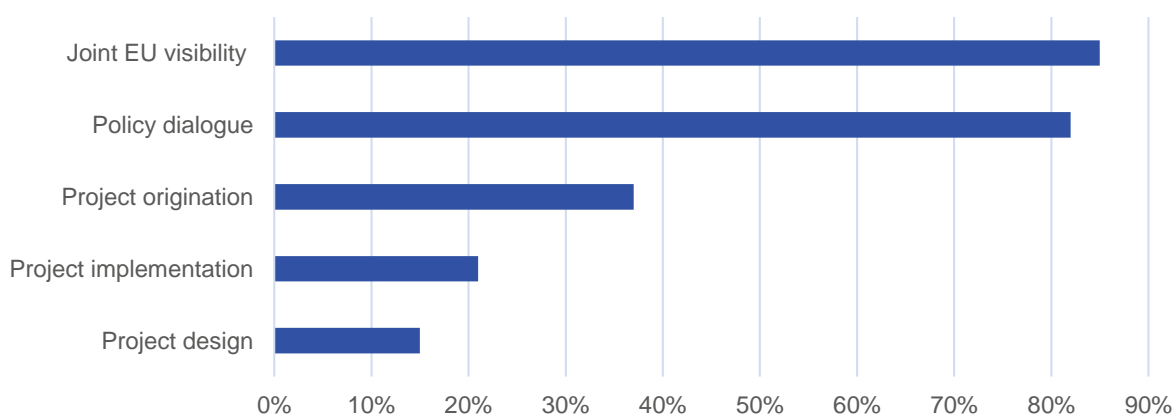


Source: Survey of EIB staff, n=30

Where the EU delegation was engaged through sector activities (or as part of closer association as in the Western Balkans), the EIB water projects benefitted from the EU agenda and also contributed more strongly to EU policy goals

The field visits and interviews both with project promoters and EIB staff and the EU delegations in five of the sample countries noted that EIB water projects gained considerably where the EU was also active in the water sector. This finding is also supported by the survey of EIB staff with over 80% of responses noting that working with the EU delegations was important for joint visibility of EU institutions and for furthering policy dialogue (as shown in Figure 19).

Figure 19: Perception of added value of engagement with the EU delegation (% of responses citing high added value)



Source: Survey of EIB staff, n=30

The evaluation did not find many cases of EU delegations being involved in project origination. This was also reflected by the survey, with just under 40% of the respondents noting that the EU delegations were helping to originate projects. However, the potential for EU support for origination, when the European Union was active in the sector, was shown in an ACP country, where the European Union was able to support early phases of origination of projects. In that case, the EU delegation responded to government initiatives through initiating projects that combined grant support for policy initiatives with the mobilisation of potential EIB loan financing to meet infrastructure gaps. During the 2014-2020 EU multiannual financing framework, water was outside the scope of EU cooperation in the country and the water sector did not benefit from the local presence and engagement of the EU delegation in the way that is evident now. In two Mediterranean countries, where the European Union is active in the water sector, the EU delegation promoted sector reforms and ensured coordinated donor engagement that provided a more conducive environment for EIB projects. EU budget support operations promoted policy reforms related to improved governance and financial sustainability aiming at introducing cost-reflective tariffs. Even though progress was slow in these areas, the combination of policy support from the European Union and the availability of finance available from the EIB was highly beneficial, and this effect is cited as a major benefit of blending in an earlier EU evaluation²⁹.

Even in countries where the water sector was not a focal area of support, there were examples of EU support being relevant. An example was in one of the potential candidate countries, where the policy agenda of closer association with the European Union provided an incentive for adoption of high environmental standards. This effect, observed through field visits, was also widely reported on in project completion reports in the Eastern Neighbourhood region. Another example was a project in Latin America, where the EU focus on supporting small, marginalised municipalities led to grant resources being available for the EIB projects working with small towns in rural areas. In all these projects there was a clear mutual exchange where the EIB projects benefitted from EU policy and access to grants, and the EIB projects through financing infrastructure promoted the policy objectives of the European Union.

By working with other international financial institutions, EIB projects benefited from the stronger local presence and policy mandates of others although opportunities were lost to report fully on the wider contribution of the projects

In co-financed projects, in which the EIB was not the lead financier, the lead international finance institution undertook the role of oversight and supervision, and strong and coordinated cooperation often emerged. The project completion reports for most of the projects in the Eastern Neighbourhood noted the value of the EBRD local presence, policy dialogue and technical tools. The local presence of the IADB and also of the Spanish development agency AECID was identified as crucial for the previously cited project in Latin America. The regular visits by these co-financing agencies helped to ensure that obstacles to implementing the project were overcome and an approach of engaging the communities was mainstreamed into the project. The IADB had staff in the country that could visit the project regularly, and the AECID even had a presence in the municipality being supported. Although the EIB's contribution to these projects was mainly focussed on bridging the financial gap, there were cases — as noted in previous chapters — in which the EIB's approach to environment and climate was highly appreciated or where EIB was able to focus attention on gender and supported the adoption of labour rights.

Project completion reports from water projects in the Eastern Neighbourhood recognised the benefits of co-financing with international finance institutions that had strong technical products for institutional strengthening and promoting sector reforms. The EIB reporting refers to the institutional strengthening and potential for transformative change for example in improving water sector building standards but the EIB reporting does not elaborate on the full contribution of the project, even though it was co-financed by the EIB.

²⁹ See European Commission (2016). Evaluation of Blending. Final Report. Volume I – Main Report.

6. INTERNAL FACTORS

The evaluation found that without a clearly embedded policy mandate the EIB approach was better suited to respond to infrastructure needs, rather than also providing policy support and institutional strengthening. It correctly identified key sector and project-related challenges and risks but lacked the resources to follow up and respond to them; and the limited number of in-country offices and sufficient local presence constrained the EIB at all levels, from project origination/preparation to operational monitoring, policy leverage and stakeholder engagement. The interaction with EU delegations, other international financial institutions and development partners benefited EIB operations, allowing them to profit from the alignment of EU and EIB activities and, at the same time, creating opportunities for wider impact.

Without a clearly embedded policy mandate, the EIB approach was better suited to respond to infrastructure needs, rather than policy support and institutional strengthening

As highlighted previously, policy support at the level of the enabling environment was often needed to ensure the sustainable operation and maintenance of the EIB-financed water sector projects. The current EIB business model meant that the Bank had limited resources to follow up on water sector policy issues and provide institutional strengthening at promoter level. The limited local presence of EIB staff meant that the Bank did not have the political leverage needed to encourage the reforms necessary for the financial sustainability of the projects. In some cases, this situation was overcome through close cooperation with EU delegations and other international financial institutions, which were better equipped to address policy issues.

Other international financial institutions have policy mandates that are more clearly embedded in their investment strategies than is the case for the EIB. For instance, the European Bank for Reconstruction and Development and the World Bank often bundle their support to investment projects through a clear and comprehensive reform agenda. Similarly, the Agence Française de Développement and Kreditanstalt für Wiederaufbau both have development policy loans as an instrument, which allowed them stronger focus on structural / institutional reforms.

The EIB correctly identified the key sector and project-related challenges and risks but lacked resources to follow-up and mitigate issues

EIB appraisal and project preparation were of high quality and correctly identified risks and necessary mitigation actions. Given the predominance of weak promoters in water projects outside the European Union, risks identified were often related to promoter capacity, aggravated by the inherent complexity of the water sector projects (which take a long time to prepare and implement).

The evaluation found instances of the resources provided by the EIB for risk mitigation being insufficient and therefore being unable to prevent and mitigate the issues, that arose during the project implementation. The analysis of the available project completion reports highlighted the lack of resources dedicated to follow-up on some completed projects, both locally and at headquarters.

EIB procurement requirements worked better for stronger promoters and represented a challenge for weaker promoters

EIB procurement requirements worked well for stronger promoters, but they imposed a serious administrative burden and were an implementation challenge for weaker promoters. While procurement was often blamed for delays, many of the underlying issues could be traced back to previously mentioned weaknesses in promoter capacity that were revealed during the procurement process when it became clear that the projects were not ready for tendering or contracting.

The absence of standard bidding documents was an impediment for such institutionally weak promoters. The EIB relied on guidelines rather than specific templates for procurement (for tender

preparation and the tender process). While this provided more leeway for promoters with good implementation capacity or who were more frequently exposed to similar project management, it was difficult for the weaker promoters.

Indeed, the reverse side of the flexibility of the EIB guidelines was that each contract had to be checked to make sure that EIB conditions were included. Case studies showed, as outlined in Chapter 5, that promoters with little prior exposure to international tendering and project management (that is, the majority of those involved in the operations covered by the case studies) often needed a lot of time to understand the EIB guidelines and produce their own tendering documentation to ensure that it was in line with the EIB guidelines. This led to substantial delays in project implementation and disbursement — in one instance adding up to two years to the process of gaining EIB agreement on the procurement documentation. This issue was raised during the interviews with the project promoters in several case studies and was recognised by EIB staff during interviews. Almost all of the respondents to the EIB staff survey (93%) also viewed the EIB procurement procedures as an influential or highly influential factor leading to disbursement delays.

The EIB partially compensated for the procurement template issue by allowing the use of templates from other international financial institutions. In instances in which the promoter had previously been working with other international financial institutions and was familiar with the use of their procedures and requirements, they were able to use those templates. However, using templates from other international financial institutions (for example from the World Bank or the European Bank for Reconstruction and Development) involved obstacles, that is, slight differences had to be addressed to bring them in line with the EIB guidelines, which led to the feeling that the EIB had more requirements. This in turn could lead to uneasiness on the promoter side, especially in instances when the Bank did not have sufficient local presence to explain the rationale behind each requirement.

The limited number of in-country offices and sufficient local presence constrained the EIB at all levels from project origination/preparation to operational monitoring, policy leverage and stakeholder engagement

As a project-driven bank, the EIB usually steps in once a project has been identified. For some countries and sectors, this works well, but for the water sector outside the European Union, this way of operating proved difficult because promoters did not have high-quality projects ready for financing.

Project origination and preparation – As regards project origination and preparation, the importance of local presence, in particular of staff with technical expertise, cannot be overstated, and the EIB clearly had the potential to do more, given its wealth of technical expertise. Apart from their skill set, technical experts working on the ground understand the country context, the local challenges and opportunities and the political constraints. Thus, they could intervene efficiently in support of project origination and in shaping the design of projects to improve their quality. This happened in some cases in East Africa; for example, where the EIB regional office was able to field water sector expertise to support origination and implementation of complex water projects. A case study in the Mediterranean region highlighted the origination challenges and the difficulty of selecting the most suitable projects. In this case, the pool of potential projects was large, but the limited EIB local presence did not allow the suitability of all of the potential projects to be assessed in order to develop them into a pipeline for EIB lending. In the EIB staff survey, the majority of respondents (65%) saw the Bank's limited local presence as a crucial constraint for the origination of new projects.

In a number of limited cases, the potential for EIB upstream involvement to support both project origination and preparation was realised, not least through the Mediterranean Hotspots Investment Programme (MeHSIP) facility (Box 5) and the Dutch Water Fund, but also with other third-party grant funding. Such technical assistance supported the preparation of mature bankable projects, thereby addressing a key issue of premature signatures, which was highlighted both in interviews and in the staff survey (Figure 17) as one of the reasons for later problems in project implementation. Early EIB involvement was able to improve the project design and increase project maturity in the second phase of projects on flood prevention in a potential candidate country. More generally, upstream initiatives

also fostered the diffusion of good policies/best practices among promoters. However, such upstream support requires sustained technical involvement from the Bank.

Box 5: Mediterranean Hotspots Investment Programme

The Mediterranean Hotspots Investment Programme (MeHSIP) was set up to provide technical advice and support to promoters to prepare investment projects in the water and environmental sectors of the Southern Neighbourhood countries. MeHSIP was part of the European Union's Horizon 2020¹ initiative (2014–2020), which was set up to address the main sources of pollution entering the Mediterranean Sea. The programme aimed to increase the number of bankable projects capable of being financed by international financial institutions and implemented by promoters to ensure their efficient and sustainable operation in the long term, whilst strengthening project preparation capacity.

MeHSIP was carried out under two phases, financed mainly with grants provided by the European Commission (the Facility for Euro-Mediterranean Investment and Partnership (FEMIP) Support Fund²). MeHSIP I (2009–2014, €6.2 million) and MeHSIP II (2015–2019, €6 million) both supported pipeline building and project preparation through ad hoc support of technical assistance consultants. The second phase extended the support to the initial implementation phase and to the in-country presence of experts. MeHSIP supported 11 projects in the current EIB signed portfolio, and four of those are in the pipeline.

The MeHSIP case study undertaken through this evaluation produced the following findings:

- **A marginal increase in the number of projects:** In 2010–2021, the number of projects in the southern Mediterranean region increased only marginally in comparison with the previous ten-year period. However, this increase coincided with a similar surge in the overall water portfolio of the EIB outside the European Union and so cannot be attributed to MeHSIP alone. One notable exception was a Mediterranean country where the policy environment was right and, in combination with the availability of technical assistance and the initially limited portfolio, this led to a noticeable increase in the number of EIB operations.
- **MeHSIP enabled the EIB to reinforce its link with sector/institutional issues in some countries:** The link with EU policy dialogue and sector/institutional issues was strengthened in countries where the EU delegation was active in the sector; however in other countries, the link was weaker, despite the overarching Horizon 2020 objective.
- **Upstream technical assistance allowed the EIB to develop a closer relationship with promoters and other international financial institutions:** Presence of the consultants on the ground embedded in external offices under MeHSIP II, rather than a technical assistance pool of experts to be called on as and when needed, enabled closer relationships to be developed with promoters (allowing the Bank to focus on the financing of projects), EU delegations and other financing institutions.
- **The budget for MeHSIP was small compared with its objectives:** The programme enabled flexibility and speed in providing technical assistance to individual projects. Limited funding meant that a selective approach was adopted. This was not necessarily a bad thing but it meant that fundraising was needed for individual projects that required more substantial grants for preparatory/feasibility studies. Applying for grants on a project-by-project basis, from different donors/sources, was time consuming and led to delays and uncertainty.
- **The duration of MeHSIP was too short:** The duration of technical assistance was too short compared with the time it takes to develop the pipeline and prepare projects. Institutional memory was quickly lost when MeHSIP II was wound down.
- **There was insufficient EIB capacity to follow up on the project pipeline:** In countries where there was an important increase in the pipeline of bankable projects, bottlenecks resulted from the approval stage onwards, as the EIB did not have the staffing capacity to implement and take the projects forward.

¹ Horizon 2020 was the EU's research and innovation funding programme from 2014-2020 with a budget of nearly €80 billion. The programme has been succeeded by Horizon Europe.

² Minor extension financed by the EIB Economic Resilience Initiative.

Operational follow-up — The interviews with promoters from many case studies highlighted that the EIB did not devote sufficient resources to operational follow-up, especially given the complex nature of the infrastructure, the complicated internal and external procedures, and national institutional challenges. It was noted that changes in EIB reporting requirements meant that reporting became more complex over time, and technical assistance helped but could not fully mitigate the issue. Several country case studies underlined a contrast between the high level of EIB requirements — which were similar to the requirements for projects within the European Union, where the promoter capacity is usually much higher — and the limited local presence of EIB staff.

These findings are echoed by the majority of respondents to the EIB staff survey (58%), who considered the lack of a local presence a crucial constraint in deepening the EIB’s relationship and mutual understanding with borrowers and promoters.

Engagement with others — The EIB’s limited local presence diminished its policy leverage, which was vital to encourage the necessary policy changes conducive to the success of EIB-supported projects. This finding was corroborated by the interviews with EU delegation representatives, who appreciated the good cooperation with the Bank but also pointed out the need for a larger in-country presence from the EIB.

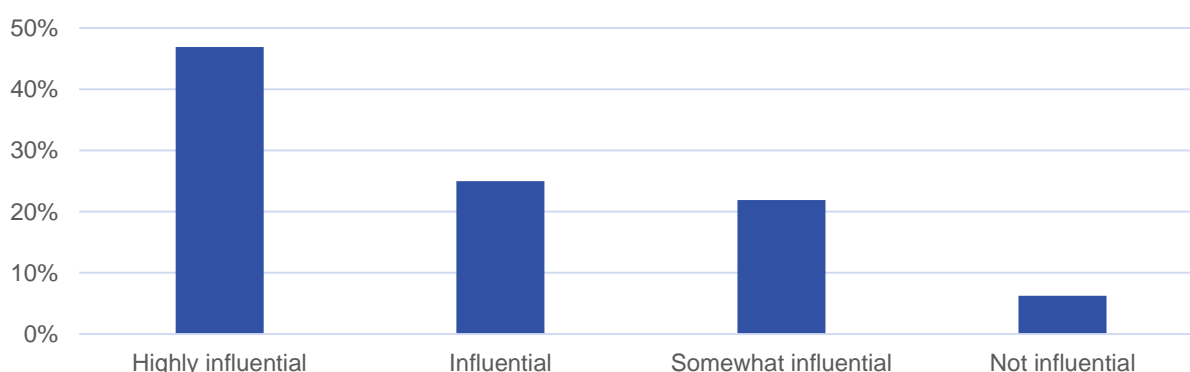
Finally, as noted in the previous chapter, the limited local presence complicated the EIB’s interaction with other development partners, including international financial institutions. The evaluation identified instances in which, despite the EIB taking the formal lead role, its lack of in-country presence meant that the promoter went to the co-financiers with questions, which, in effect, put these other international financial institutions into the lead position.

The evaluation notes that the Bank has already expanded its regional and local presence. There has been substantial growth in the number of staff in offices outside the European Union, with 32 representations to date. In total, EIB Global currently has around 350 staff overall, with around 110 (including support staff) based in external offices. At the time of the evaluation, the Bank was in the process of developing an implementation roadmap.

The EIB was focused on signatures without paying equal attention to effective disbursement

Often, the projects signed were not sufficiently mature and required additional time and EIB support to bring them into the implementation phase (see also Chapter 2). The main motivation was aimed at creating momentum, as the EIB considered that signature induces commitment from the promoter, thereby advancing the project, which would have stalled otherwise. However, signing premature projects led to delays, as projects needed to be better prepared before they were implementable. The signature of premature projects was seen as an influential or highly influential factor behind disbursement delays by three-quarters (74%) of the respondents to the EIB staff survey (Figure 20).

Figure 20: Perceived influence of project readiness on disbursement delays (%)



Source: Survey of EIB staff, n = 32

A key factor that was put forward during the interviews by a range of Bank staff at different levels of seniority to explain the delays was that the EIB did not have incentives in place that would encourage staff to focus on disbursement, in the same manner as there are for signatures. The volume of signatures was and is a key performance indicator for the EIB, while disbursement — although important — was and is not an explicit target. The loan officers in charge of signatures did not have a strong incentive to follow up on the initiation of the first disbursement when there were other pressing matters that were more closely related to key performance indicators.

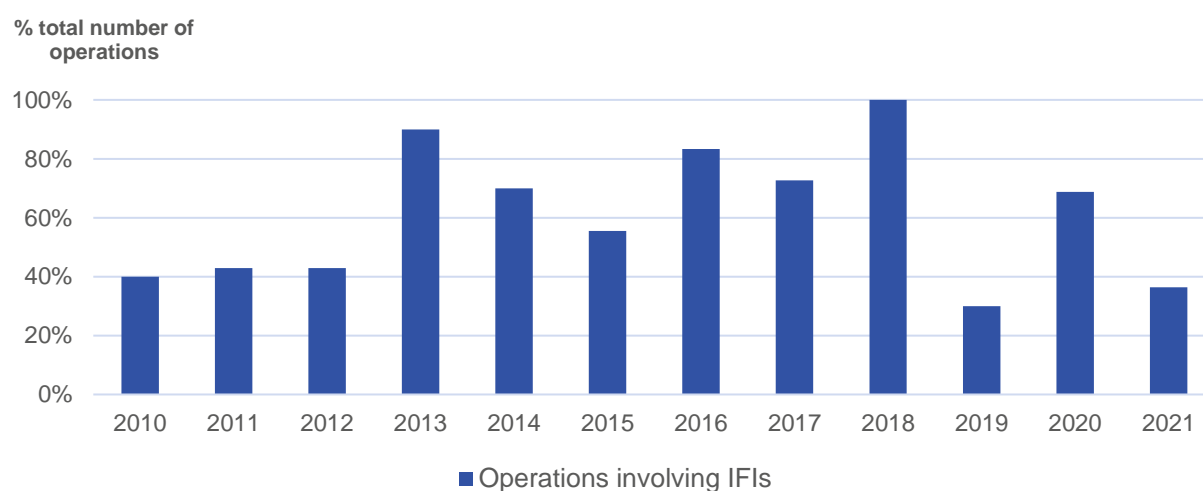
Some of the representatives of international financial institutions interviewed had disbursement as a major key performance indicator and dedicate the corresponding resources to it. For example, the evaluation was informed that one international financial institution has a team in its headquarters in charge of following up with the local team if any disbursement delays arise. The local team, in turn, reports on the speed of disbursement, providing it with a clear incentive to sign only mature projects.

Experiences from other international financial institutions showed that commitment fees could provide an incentive for the promoter to proceed faster with the project implementation, as any promoter-induced delays after the signature would result in financial penalties.

Interactions with other international financial institutions benefited EIB operations

Co-financing with other international financial institutions increased the effectiveness and efficiency of the EIB operations by generating synergies and complementarities. Over the years, the proportion of operations co-financed with other international financial institutions ranged from 30% to 100%, with an average of 61% between 2010 and 2021 (Figure 21).

Figure 21: Proportion of operations co-financed with international financial institutions in the water sector outside the European Union 2010-2021 (% of total number of operations)



Source: Evaluation Division based on the corporate internal database

In those operations that were co-financed with international financial institutions, the EIB successfully leveraged its counterparts' local presence and knowledge, for instance in the previously mentioned operation in the Eastern Neighbourhood, where assistance from the co-financier was of crucial importance. EIB staff interviewed recognised that without the support from the EBRD local office for project preparation and implementation (procurement and relations with local stakeholders), the EIB would not have been able to complete this project successfully. In addition, due to the large financing needs in the water sector outside the European Union, there was no substitution/crowding out effect between the EIB and other international financial institutions.

The Mutual Reliance Initiative (MRI) was put in place to simplify co-financed projects and reduce the duplication of work between the various partnering international financial institutions and to limit the transaction costs of borrowers/promoters in accessing long-term financing provided by the co-financing institutions. The evaluation found that the MRI was unevenly implemented, sometimes causing delays in disbursement when it was not easy to find agreement across all international financial institutions. For several projects that were co-financed in parallel (not under the MRI) with other international financial institutions there was indeed an efficient distribution of items to finance (that is, a clear distinction of who finances what). For financing with a lead institution — under the MRI — there were some benefits in re-using templates from other international financial institutions and leveraging on the technical assistance performed by a co-financier. In one of the case studies, the MRI allowed the administrative burden on the promoter to be reduced by requiring only one progress report to the lead financier. This, however, was not always the case because of the EIB's more complex reporting requirements, namely in the field of environmental and social compliance.

Several counterparts and EIB interviewees highlighted the complexity of the MRI guidance. The international financial institutions are currently reviewing the standards of the MRI with the aim being to align the standards across institutions. In the medium term, as the level of MRI co-financing experience grows, the MRI is expected to result in efficiency gains for both the promoters and the co-financing international financial institutions that take part in the MRI.

EIB operations profited from the alignment of EU and EIB activities, at the same time creating opportunities for wider impact

The EIB framed its support clearly within the EU policy priorities outside the European Union. All of the water sector support was provided under specific policy mandates and thus implicitly aligned with EU policy objectives. Furthermore, the analysis of the available project completion reports confirmed that the contribution to EU policy was significant both at appraisal and at completion.

The EIB benefited from good cooperation with EU delegations. According to the representatives of EU delegations interviewed, there has been a clear improvement in coordination of the mutual work since the expansion of EIB country representatives. This has allowed better coordination in particular as regards to joint messages to local authorities, thereby strengthening the policy impact of EIB operations. However, as noted earlier, the EIB's local presence remained a limiting factor of this cooperation.

The new guarantee provision arrangements for EIB lending under the Neighbourhood, Development and International Cooperation Instrument (NDICI) — which merged various former EU external financing instruments — are expected to ensure closer cooperation between the EIB and the EU delegations. However, given that under the NDICI the guarantee will need to be covered from the EU delegation's country envelope, potential issues might arise in instances in which the water sector is not a priority area for the EU delegation and other sources for covering the guarantee fee are not available. The closer cooperation between the EIB and EU delegations might also lead to more water projects but in fewer countries, which could serve to deepen the EIB's engagement in the sector and ensure a strong pipeline and cumulative benefits through multiple projects, as is the case in the few countries where there have been five or more projects over a five-year period.

Overall, the EIB product offer was adapted to the needs of the borrowers, but unlike other international financial institutions, the EIB did not have as many standard products that could be used to institutionally support promoters and the sector through targeted technical assistance

The EIB support for the water sector outside the European Union was channelled primarily through investment loans and framework loans. These two financial instruments represented 95% of the total volume signed by the EIB in the water sector outside the European Union between 2010 and 2021. Given the nature of the underlying projects, investment loans and framework loans were the most appropriate tools. Investment loans were the most appropriate for financing large infrastructure projects with limited risk and limited financial return.

Some co-financing international financial institutions referred to the size of EIB loans as a potential issue. Their impression was that the EIB finances larger loans, meaning that smaller projects are not eligible. However, framework loans partially mitigated this issue and enabled the Bank to reach out to smaller promoters. Overall, the evaluation found that the financial product offer from the EIB was adapted to the needs of the borrower. This is illustrated by several examples, for instance the aforementioned sectoral framework loan in Asia to address the government's request for a more integrated approach, long-term visibility of EIB funding and alignment with the national development plan. This allowed a subset of irrigation infrastructure to be financed across several provinces over a longer implementation period. The mobilisation of an EU grant ensured a high degree of concessionality in the overall financing package. Similarly, under a project in an ACP country, an investment loan with an interest rate subsidy financed under the Cotonou mandate was optimal from the perspective of the borrower. The subsidy allowed the financial equilibrium of the sector to be ensured, while limiting the tariff increases, which would have been difficult to accept by the local populations considering the overall economic context.

The Bank's product mix was limited by it not being able to offer some of the products used by other international financial institutions, such as the project preparation loan available after the pre-approval stage offered by the World Bank or the EBRD financial and operations performance improvement technical assistance package. Such products enabled these international financial institutions to support weaker promoters and to enhance operational and financial performance, as well as the institutional transformation of the promoter companies.

7. CONCLUSIONS

7.1. What worked and what did not

Water sector operations supported by the EIB were leading to the expected results but with long delays, and development, environment and climate effects were not optimised or monitored

Results were and are being created as expected but with long delays

The evaluation confirmed that the infrastructure that is being built through EIB loans is highly relevant and aligned to the needs of the sector, of a high technical quality and likely to lead to robust and well-functioning infrastructure that is fit for purpose. One main issue is the long delays encountered by projects. Less than 10% of the 131 projects signed since 2010 were fully complete, although a number have made substantial progress towards completion. As an illustration, around 33% of the volume signed in the water sector between 2010 and 2021 has been disbursed during that period, which was significantly lower than the average across all sectors outside the European Union over the same period (62%). The longest delays were in the start-up process — from signature to the first disbursement — but operational delays, once the projects had started, were also significant.

Some start-up delays were influenced by complex national procedures linked to the loan approval or, in some cases, changes in the government of the borrowing country. In other cases, loan agreements were signed at concept level, requiring preparatory studies, feasibility studies and/or detailed designs to be completed before the project could start. There were a few cases, mainly in older projects, in which the preconditions to be fulfilled prior to disbursement were found to be too complex and difficult to understand or not possible to implement by the promoter and borrower without the agreement of others, for example the sector regulator on tariff increases. EIB staff, borrowers and other international financial institutions noted that the absence of financial penalties was another factor as it removed an incentive for borrowers to reduce delays.

Operational delays arose from weak promoter capacity in project management, which was usually recognised at appraisal stage but not fully addressed, frequent staff turnover in the project management unit, low contractor/design capacity in the borrowing country, overly formalised EIB procedures, delays in making grants available, and a lack of day-to-day EIB on-site follow-up, which meant that problems and misunderstandings were not dealt with in a timely fashion.

Weaknesses at the operation and maintenance stage were key threats to sustaining outcomes

The projects completed or near completion that were visited by the evaluation team or where highly reliable third-party inspection was available, were being well maintained, being used as intended and were already delivering the expected outcomes. However, the water sector, more so than other sectors (such as energy and transport), is faced with governance challenges, incomplete reforms and political and social threats to achieving longer term sustainability. EIB projects generally put more attention on ensuring completion of the infrastructure than on the arrangements for downstream operation and maintenance. However, the latter are key to mitigating threats to sustainability. Tariff and sector governance arrangements, notably to ensure the financial sustainability of the facilities built, were often weak and largely beyond project control. Often greater than expected governmental/municipal subsidies were needed, and these were widely recognised as politically vulnerable. In limited cases, especially when appropriate grants were available, steps were taken to promote innovations such as water operator partnerships with European and other water utilities to ensure that governance and management capacity to operate and maintain the facilities was strengthened.

Development effects were evident but not optimised or monitored

EIB support for the water sector has a high potential for contributing to development, and the evaluation identified several positive examples of projects that improved people's lives. As mentioned above, EIB financing, in line with its mandate, was primarily focused on infrastructure and filling the capital

investment gap, while leaving sector challenges such as policy reform and institutional issues, strengthening the regulator function, improving billing systems and ensuring adequate hygiene promotion to others active in the sector. Such challenges were beyond the scope of infrastructure construction but were key to ensuring that the benefits of the infrastructure are realised and for EIB-financed projects to deliver their full potential and development impact. However, the reliance on others was not explicit and the link to these efforts was weak in most cases.

To a large extent, the EIB did not have in the period under evaluation as strong a policy mandate as other international financial institutions, such as the World Bank and the European Bank for Reconstruction and Development, and wider sector reform and policies were therefore not as well integrated into the project design. In most cases project documentation did not fully connect to the work of other development partners. While more recent projects included more explicit statements of intent related to development, these considerations were neither structured into projects and built into a wider theory of change nor introduced as a focus of project monitoring. Owing to the lack of focus on development in monitoring, the longer term development outcomes were also not systematically captured and reported on. There were also not close enough links to other initiatives on post-project monitoring and case study learning.

The evaluation identified an example of a project in which the EIB successfully made links with other international financial institutions and development partners, demonstrating the feasibility and benefits of closer links with others. Non-governmental organisations were engaged by the Spanish development agency AECID to connect small villages to the main pipelines financed by the EIB project. This was not only to ensure a fair distribution of water but also to use the water project as an entry point for empowering community structures, bringing about greater gender equality and enhancing democratic governance and participation in local government. These were topics that strongly supported the policy aims of the European Union in the country in question.

EIB water sector operations contributed strongly to environmental sustainability and climate action

The EIB applied stringent environmental and social standards. This raised awareness and exposed partners to best practice. Because these standards were structured as conditions to be met, and because the EIB ensured that high-quality environmental impact assessments were conducted, the use of these standards contributed to enhanced environmental performance. Reflecting the increasing focus of the EIB on climate action by way of its Climate Strategy and the Climate Bank Roadmap, there was increased recognition and inclusion of climate action in the Bank's activities, with a growing number of water projects recording a contribution to climate action — mitigation and adaptation — over the evaluation period. The evaluation did not find any instances of negative environmental and social effects that were not adequately mitigated.

Projects contributed positively to environmental sustainability, for example through energy efficiency measures, wastewater treatment and resilient use of water resources. However, dedicated support for integrated water resources management or for opportunities to restore ecosystems was limited – partly because they are operational rather than capital intensive. The projects did not systematically exploit the opportunities inherent in linking the nexus between water, energy and food, even though this is a key EU policy area. Similarly, circular economy measures, which are a recent focus, were not usually structured into the projects, although there were some innovations introduced, such as energy recovery from wastewater treatment.

Despite the positive contribution to climate action and environmental sustainability at project level, the projects usually did not contribute as much as they could have to systemic changes. In line with the overall EIB approach as a project bank, the EIB used a project-by-project approach. This meant it was difficult for the Bank to create links with policy reforms and complement project finance with sector reform. There were relatively few projects that had a dedicated contribution to broader water resource management interventions or environmental reform conditions for reasons that are outlined later.

7.2. External and internal factors that can explain what worked and what did not

The Bank's ability to maximise its impact was limited by its business model and lack of local presence, at least for projects outside the European Union, where the enabling environment was weak and the promoters were often small municipalities with low capacity

The two main challenges for EIB operations in the water sector were the incomplete sector reforms and the low capacity of the promoters at municipal level

In most country case studies sector challenges were severe and affected not only timely project completion but also the likelihood of achieving outcomes and contribution to development impacts. At the same time, at individual project level, the promoters were often, although not always, municipalities that had limited experience, if any, in managing large-scale infrastructure projects. As highlighted above, the governance arrangements and capacity for operation and maintenance was usually inadequate. In addition, the promoters themselves were often institutionally weak and subject to high staff turnover. The EIB often did not have access to sufficient technical assistance grants to strengthen promoter capacity and was furthermore reliant on third-party donors for such grants. These donors sometimes imposed conditions to be met that made it difficult to optimise the use of the technical assistance and in several instances this resulted in the timing of the loan and grant not being well coordinated.

The EIB recognised in the appraisal process and also through comments in progress reporting all of the challenges mentioned above. However, the Bank was not well positioned to mitigate them alone. Promising development results, institutional strengthening and greater prospects for sustainability were evident when the EIB was able to go beyond a project-by-project approach and work with others. This was especially the case when there was close collaboration with EU delegations and international financial institutions, which actively engaged both upstream with policy dialogue and downstream on issues such as hygiene promotion, which was necessary to ensuring that the benefits of the infrastructure were fully realised.

The EIB did not have enough local presence to support implementation and optimise development outcomes

The poor enabling environment and the weak promoter capacity in combination with the EIB's relatively elaborate procedures and internal resource constraints — especially its limited local presence — meant that more follow-up support was required than was available. Many of the projects in the scope of the evaluation were affected by COVID-19, which exacerbated the problems due to the absence of EIB local presence, as external monitoring visits that could have filled a gap in communication and follow-up were curtailed.

When resources from regional or local offices were available and deployed and when EIB monitoring visits took place, they were useful and much appreciated. Promoters and EIB staff alike reported that these aspects often served to resolve persistent issues and created goodwill and confidence. The EIB was able to rely on lead international financial institutions in many cases to provide local support and to follow-up. However, the situation was far from ideal when the EIB itself had the lead role and did not have a local presence to proactively engage with promoters on the ground, which at times led to frustration from partners. The Mutual Reliance Initiative (MRI) had the potential to resolve many of the cooperation issues and, when the EIB was not in the lead to reduce the need for local EIB presence to follow up on issues occurring during implementation. However, the MRI was found by all parties to be unevenly implemented and more complex than needed.

The limited local presence also reduced the EIB's leverage within the local institutional context to engage with the necessary policy changes conducive to the success of EIB supported projects. This contrasted with other international financial institutions, which often disposed of large technical teams on the ground, interacting directly with the local stakeholders and promoters.

The EIB business model worked better when promoters and the sector were strong or the Bank could rely on others to provide policy and institutional support

As highlighted, the EIB was able to fill the capital gap, but did not have the resources to best address the institutional weaknesses and reform-related challenges that were often beyond the scope of individual projects. When the enabling environment and project promoters were strong, with solid systems of their own, the Bank's business model was robust and had the advantage of clearly placing control and responsibility with the borrower/ promoter. However, in the context of a poor enabling environment and weak promoters, the EIB's model did not work as well. As noted earlier, the EIB identified the key challenges but with the limited resources available and working at project level it, was often not able to mitigate them.

Whilst the Bank's procedures are demanding, they are also flexible and build on, rather than replace, national systems, which is appreciated by strong promoters. However, when the borrower and promoter were not strong, as in many countries outside the European Union, additional support and simpler systems were often needed. An example is the use of standard bidding documents. The EIB asks the promoters to use their own (or other systems) bidding documents and to ensure compliance with the Bank's procurement principles. This requires a strong understanding of procurement practice and is subject to subsequent approvals by the EIB. However, weaker promoters would have preferred the use of a standard set of bidding documents, which is the common practice of many international financial institutions.

Similarly, weaker water sector promoters also have a greater need for support to develop projects and improve their institutional capacity, but the EIB business model has not led to the development of standard products to support them. Examples of such standard products include the World Bank's utility turnaround framework and the EBRD's financial and operational performance improvement programme. The World Bank's utility turnaround framework provides a detailed tool for diagnosis and presents solution paths for utility reform. The EBRD's financial and operational performance improvement programme provides a structured technical assistance package to support financial management of utilities (such as billing systems) as well as areas such as improvement of customer relations and complaint procedures.

In countries where the European Union or other in-country donors and international financial institutions supported the water sector or areas linked to it, the EIB benefited from well-resourced upstream support that helped in the origination of good projects. The EIB also benefited from the policy reform actions of the European Union and other development partners and, in the case of international financial institutions, it furthermore benefited from project management follow-up. The Mutual Reliance Initiative (MRI) also had some measure of success in simplifying reporting for the promoters, despite the above-mentioned challenges faced by the initiative. When close cooperation with the European Union was possible, the EU water projects themselves had better prospects of making good use of the Bank's financial influence and technical skills to contribute to systemic change.

8. RECOMMENDATIONS

Recommendation 1 – Optimise the development, environment and climate results of water projects by diversifying beyond infrastructure

Rationale: The broader water sector, including irrigation, integrated water resources and flood management, has significant potential for contributing to development, environmental sustainability and climate action. However, the majority of EIB projects in the evaluation scope had a more limited focus on traditional water supply and wastewater management. Nevertheless, when information management, digitalisation, energy recovery, circular economy, nature based solutions and other innovations have been introduced as part of a project, they have impressive effects. Introducing such innovations into projects and wider sector practice would contribute to environmental sustainability, improved governance through information sharing and be a conduit for adding value through transferring EU experience and expertise. The new water sector orientation that is currently being drafted highlights the transformative potential of the water sector.

Recommendation 2 – Develop pre-prepared guidance packages to support projects in the water sector

Rationale: The EIB scale of investment and its technical resources, combined with the demonstration effect of water sector practice in Europe can (and has been) influential at the operational level and in improving water sector performance. This experience should be provided as technical support packages to promoters and country authorities. The World Bank, for example, has developed useful technical support packages such as the utility turnaround framework; and the European Bank for Reconstruction and Development has also contributed through its financial and operational performance improvement programme. Technical support packages can provide “how to” guidance and examples of innovative practices that have been adopted. These could, for example, include engagement with water operator partnerships and how this peer-to-peer approach could be adopted to enhance the sustainability of the investments made.

Recommendation 3 – Actively complement and engage with the European Union and other partners in supporting credible water related reforms and development outcomes

Rationale: The success of the EIB’s development, environmental and climate action contributions were, and will continue to be, much influenced by the presence of credible sector reforms and development partners who can work in collaboration with the EIB.

Although EIB water sector projects suffered from delays in disbursement, the expected results were and are being achieved. However, the link to wider development processes led by national initiatives and other development partners was weak. Strengthening these links throughout the project cycle and looking beyond individual projects/operations to recognise of what other actors are doing would ensure that EIB projects are originated in contexts in which the development effects of the EIB-supported infrastructure are more likely to occur and be optimised. These links include supporting common policy agendas, closer discussions and alignment of projects’ objectives and modalities with other development partners during the preparation phase and coordinating with other development partners during and after implementation.

Recommendation 4 – Expand products that are highly relevant for the water sector in less developed countries

Rationale: In some cases, as shown by evidence from the evaluation, it has been possible to engage with weak municipalities by using products such as framework loans where a stronger central body functioned as the promoter and the main partner for the EIB to support improvement of national systems. Framework loans used in this way were able to build national sector capacity with promising results. They were able to introduce solutions and innovations that had an effect beyond a single project. Piloting water sector-based lending that uses and strengthens national systems across the many small underperforming promoters and responds to wider sector opportunities could be considered as the next step.

Recommendation 5 – Consider enhancing EIB local presence to address capacity gaps in water sector projects at origination, design and implementation stages

Rationale: The complexity of the sector and the relative weakness of promoters and their location — often away from the capital city — requires significant support to ensure timely completion of projects and to achieve longer term institutional strengthening and development effects. Access to regional technical experts who are familiar with the country context is necessary to address capacity gaps at origination and design stages, ensure strong project follow-up during implementation and help unlock disbursements. Such on the ground presence would at the same time enable collaboration and a more formalised partnership with local stakeholders, as well as coordination with EU delegations and other international financial institutions.

Recommendation 6 – Consider increasing technical assistance resources for water projects that can be easily mobilised

Rationale: The evaluation found that access to technical assistance was important to the success of projects and that it was often time consuming to mobilise it (which led to delays in the project). Technical assistance is necessary to support origination, preparation, disbursements and implementation of projects, and where justified, to promote development outcomes and reforms. Depending on the volume of financial resources the EIB is able to secure, the Bank could extend the scope of its technical assistance to promoters in the water sector outside the European Union.

Recommendation 7 – Consider developing a simpler, standardised package of procedures that respond to the needs of low-capacity promoters at municipal and local government levels in the water sector

Rationale: Weak promoters found it difficult to work with EIB procedures, which were more suited to high-capacity promoters. The Bank sets an example by applying high standards, but it should in parallel make its procedures easier to understand and implementable to weaker promoters. Simplified procedures, notably in the area of procurement, such as offering the use of standard bidding documents, could be considered for weaker promoters.

The Mutual Reliance Initiative (MRI) has long been recognised as having strong potential for enhancing coherence, simplifying the demands on the borrower and improving reporting. The MRI can also potentially enhance cost recovery for the Bank by reducing double supervision, thus allowing more resources to be put into supporting development aims. There is potential for establishing and systematising similar arrangements with other international financial institutions.

Recommendation 8 – Consider additional measures to accelerate completion and disbursement of EIB projects in the water sector, balancing the current focus on signatures with a focus also on completion, and reinforcing incentives for both EIB staff and promoters

Rationale: Although the EIB delivered on its investment in the water sector outside the European Union, the effectiveness of the support has been weakened by delays in the start-up and implementation phases, leading to slow disbursements. Numerous interlinked factors led to delays, with one being the relatively low incentives for EIB staff and promoters/borrowers to ensure that projects reach first disbursement in a timely manner and that subsequent implementation issues are resolved so that projects are completed according to plan.

BIBLIOGRAPHY

- 3ie (2018). 3ie: your essential partner for WASH evidence. Available https://www.3ieimpact.org/sites/default/files/2019-05/WASH%20flyer%202019_0.pdf
- 3ie (2018). Mapping the evidence on WASH promotion in communities, schools and health facilities. 3ie Evidence Gap Map Brief 10. Available <https://www.3ieimpact.org/sites/default/files/2018-11/wash-egm-brief.pdf>
- 3ie (2020). Do large-scale water infrastructure interventions reduce disease? 3ie Rapid evidence assessment brief. Available <https://www.3ieimpact.org/sites/default/files/2020-09/WASH-REA-brief.pdf>
- ADB (2003). Water for all. The Water Policy of the Asian Development Bank. Available <https://www.adb.org/sites/default/files/institutional-document/32042/water-policy.pdf>
- ADB (2006). Water for All: Translating Policy into Action. The Review Panel's Final Report and Recommendations. Available <https://www.think-asia.org/bitstream/handle/11540/3537/water-all-review-report.pdf?sequence=1>
- ADB (2010). Water Policy and Related Operations. Evaluation study. Available <https://www.adb.org/sites/default/files/evaluation-document/35409/files/ses-oth-2010-47.pdf>
- ADB (2011). Water Operational Plan 2011–2020. Available <https://www.adb.org/sites/default/files/institutional-document/33022/files/water-operational-plan-2011-2020.pdf>
- AFD (2021). The role of National Public Development Banks in financing the water and sanitation SDG 6, the water related goals of the Paris Agreement and biodiversity protection. Available <https://financeincommon.org/sites/default/files/2021-09/Global%20Study%20Role%20of%20National%20Public%20Development%20Banks%20in%20Financing%20the%20Water%20and%20Sanitation.pdf>
- AfDB (2000). Policy for Integrated Water Resources Management. Available https://www.afdb.org/sites/default/files/documents/policy-documents/iwrm_policy-_integrated_water_resources_management_-_final_version_highlights_removed_april_26_2000.pdf
- AfDB (2021). Policy on Water. Available <https://www.afdb.org/en/documents/policy-water>
- AiIB (2020). Asian Infrastructure Investment Bank (AIIB) Water Sector Strategy. Available https://www.aiib.org/en/policies-strategies/operational-policies/public-consultation-draft-water-sector-strategy/.content/_download/Water-Strategy-Final.pdf
- Campbell Collaboration (2021). There is a substantial body of evidence on the effectiveness of WASH interventions – investment in reviews is needed. Available https://www.campbellcollaboration.org/media/k2/attachments/EGM009_IDCG_Chirgwin_Water_and_sanitation_PL_S_EN.pdf
- Council of the European Union (2018). Water Diplomacy - Council conclusions (19 November 2018). Available <https://data.consilium.europa.eu/doc/document/ST-13991-2018-INIT/en/pdf>
- Council of the European Union (2019). EU Human Rights Guidelines on Safe Drinking Water and Sanitation. Available <https://www.consilium.europa.eu/media/39776/st10145-en19.pdf>
- Council of the European Union (2019). Europe in the World. The future of the European financial architecture for development. Available https://www.consilium.europa.eu/media/40967/efad-report_final.pdf
- Council of the European Union (2021). Council conclusions on enhancing the European financial architecture for development – Council conclusions (5.12.2019). Available <https://www.consilium.europa.eu/en/press/press-releases/2021/06/14/council-adopts-conclusions-on-enhancing-the-european-financial-architecture-for-development/>
- Council of the European Union (2021). Feasibility study on options for strengthening the future European Financial Architecture for Development - final report. Available <https://data.consilium.europa.eu/doc/document/ST-6961-2021-REV-1/en/pdf>

- Council of the European Union (2021). Water in the EU's external action - Council conclusions (19 November 2021). Available <https://data.consilium.europa.eu/doc/document/ST-14108-2021-INIT/en/pdf>
- Easter K. et. al. (1993). Water Resources Management. World Bank policy paper. Available https://www.researchgate.net/publication/236485226_Water_resources_management_World_Bank_policy_paper
- ECDPM (2016). The EIB's innovative role in ACP countries under the Cotonou Agreement. Options beyond 2020. Available [The EIB's innovative role in ACP countries under the Cotonou Agreement: Options beyond 2020 \(ecdpm.org\)](https://www.ecdpm.org)
- EIB (2009). Synthesis Report: Evaluation of EIB financing of water and sanitation projects outside the European Union. Available https://www.eib.org/attachments/ev/ev_water_and_sanitation_projects_outside_the_eu.pdf
- EIB (2010). Report and recommendations of the Steering Committee of "wise persons". European Investment Bank's external mandate 2007-2013 Mid-Term Review. Available https://www.eib.org/attachments/documents/eib_external_mandate_2007-2013_mid-term_review.pdf
- EIB (2014). Synthesis Report: EIB Technical Assistance Outside the EU, 2003-2013. Available https://www.eib.org/attachments/ev/ev_eib_ta_outside_eu_2003-2013_en.pdf
- EIB (2017). EIB water sector lending orientation: strengthening water security. Available https://www.eib.org/attachments/strategies/eib_water_sector_lending_orientation_en.pdf
- EIB (2018). Guide to Procurement for projects financed by the EIB. Available https://www.eib.org/attachments/strategies/guide_to_procurement_en.pdf
- EIB (2021). EIB Impact Report 2020. Climate Action, environmental Sustainability and innovation for decarbonisation. Available https://www.eib.org/attachments/publications/eib_impact_report_2020_en.pdf
- EIB (2021). Evaluation of EIB support for Climate Change Adaptation (2015-2020). Available <https://www.eib.org/en/publications/evaluation-eib-support-for-climate-action-change-adaptation>
- EIB (2021). Evaluation of the Eastern Partnership Technical Assistance Trust Fund (2010-2019). Available <https://www.eib.org/en/publications/evaluation-of-the-eastern-partnership-technical-assistance-trust-fund>
- EIB (2021). The EIB Group Operational Plan 2021. Available https://www.eib.org/attachments/strategies/eib_group_operational_plan_2021_en.pdf
- EIB (2021). Water overview 2021. Available <https://www.eib.org/en/publications/water-overview-2021>
- EIB (2022). Environmental and Social Standards. Available https://www.eib.org/attachments/publications/eib_environmental_and_social_standards_en.pdf
- EIB (2022). Environmental and Social Sustainability Framework. The EIB Group Environmental and Social Policy. Available https://www.eib.org/attachments/publications/eib_group_environmental_and_social_policy_en.pdf
- EIB (2022). The EIB Group Operational Plan 2022-2024. Available https://www.eib.org/attachments/publications/eib_group_operational_plan_2022_en.pdf
- EIB (2023). EIB water sector orientation, Building climate-resilient water systems. Available <https://www.eib.org/en/publications/20230016-eib-water-sector-orientation>
- European Commission (2010). Mid-term evaluation of EIB's external mandate. Available https://ec.europa.eu/dgs/economy_finance/evaluation/pdf/ecfin_eval_en.pdf
- European Commission (2016). Evaluation of Blending. Final Report. Volume I – Main Report. Available https://international-partnerships.ec.europa.eu/system/files/2019-09/evaluation-blending-volume1_en.pdf
- European Commission (2016). Final Report for the External evaluation of the application of the European Union Guarantee for the EIB lending operations outside the European Union. Available https://ec.europa.eu/dgs/economy_finance/evaluation/pdf/mid_term_201612-final_report_pwc_en.pdf
- European Commission (2018). Final Report for the Evaluation of the application of the 2014-2020 External Lending Mandate. Available https://ec.europa.eu/info/sites/default/files/economy-finance/ecorysceps_2018_elm_study_-_final_for_publication.pdf

European Commission (2019). Evaluation of Decision No 466/2014/EU of the European Parliament and of the Council of 16 April 2014 granting an EU guarantee to the European Investment Bank against losses under financing operations supporting investment projects outside the Union. Commission Staff Working Document. Available https://ec.europa.eu/info/sites/default/files/economy-finance/elm_evaluation_swd_2019_333_f1_staff_working_paper_en_v3_p1_1048237.pdf

European Commission (2020). Eastern Partnership policy beyond 2020. Reinforcing Resilience - an Eastern Partnership that delivers for all. Joint Communication to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions. Available https://www.eeas.europa.eu/sites/default/files/1_en_act_part1_v6.pdf

European Commission (2020). Towards a comprehensive Strategy with Africa. Joint Communication to the European Parliament and the Council. Available <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52020JC0004&from=EN>

European Commission (2021). Renewed partnership with the Southern Neighbourhood. A new Agenda for the Mediterranean. Joint Communication to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. Available https://www.eeas.europa.eu/sites/default/files/joint_communication_renewed_partnership_southern_neighbourhood.pdf

European Commission (2022). Commission's roadmap for an improved European financial architecture for development and 2021 progress report. Report from the Commission to the Council. Available <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52022DC0139&from=EN>

European Commission, Directorate-General for International Cooperation and Development (2014). The Cotonou agreement, signed in Cotonou on 23 June 2000, revised in Luxembourg on 25 June 2005, revised in Ouagadougou on 22 June 2010, and multiannual financial framework 2014-20. Available <https://op.europa.eu/en/publication-detail/-/publication/c030c886-b15c-4456-930d-c9488db9cd0a>

European Parliament and the Council (2009). Decision No 633/2009/EC of the European Parliament and of the Council of 13 July 2009 granting a Community guarantee to the European Investment Bank against losses under loans and loan guarantees for projects outside the Community. Available <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32009D0633&from=EN>

European Parliament and the Council (2011). Decision No 1080/2011/EU of the European Parliament and of the Council of 25 October 2011 granting an EU guarantee to the European Investment Bank against losses under loans and loan guarantees for projects outside the Union and repealing Decision No 633/2009/EC (europa.eu). Available <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32011D1080>

European Parliament and the Council (2014). Decision No 466/2014/EU of the European Parliament and of the Council of 16 April 2014 granting an EU guarantee to the European Investment Bank against losses under financing operations supporting investment projects outside the Union. Available <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014D0466&from=EN>

Fritsch O., Adelle C., Benson D. (2017) The EU Water Initiative at 15: origins, processes and assessment, *Water International*, 42:4, 425-442. Available <https://doi.org/10.1080/02508060.2017.1330816>

GCF (2020). Simplified Approval Process (SAP) Technical Guidelines. Water Security. Available <https://www.greencimate.fund/sites/default/files/document/sap-technical-guidelines-water.pdf>

IADB (2021). Water and Sanitation Sector Framework Document. Available <https://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=EZSHARE-1739234685-88>

IsDB (2020). Water Sector Policy. Sustainable and Resilient Water and Sanitation Systems for All. Available <https://www.isdb.org/sites/default/files/media/documents/2021-03/Water%20Sector%20Policy%208.0.pdf>

KfW Development Bank (2019). Current topics: Water. Available https://www.kfw-entwicklungsbank.de/PDF/Entwicklungsfinanzierung/Themen-NEU/Themen-aktuell_Wasser_EN_2019.pdf

OECD (2018). Financing water. Investing in sustainable growth. OECD environment policy paper No. 11. Available <https://www.oecd.org/water/Policy-Paper-Financing-Water-Investing-in-Sustainable-Growth.pdf>

Stålgren, P. (2006). Corruption in the Water Sector: Causes, Consequences and Potential Reform. Swedish Water House Policy Brief Nr. 4. SIWI. Available https://www.waterintegritynetwork.net/wp-content/uploads/2015/03/sw_h_policy_brief_water_sector.pdf

UNESCO World Water Assessment Programme (2019). The United Nations World Water Development Report 2019: Leaving No One Behind. Available <https://unesdoc.unesco.org/ark:/48223/pf0000367306>

United Nations Economic Commission for Europe/ World Health Organization Regional Office for Europe (2012). No one left behind. Good practices to ensure equitable access to water and sanitation in the Pan-European region. Available https://sustainabledevelopment.un.org/content/documents/799No_one_left_behind_E.pdf

UN General Assembly (2010). Resolution adopted by the General Assembly on 28 July 2010. 64/292. The human right to water and sanitation. Available <https://digitallibrary.un.org/record/687002?ln=en>

UN Water (2006). Gender Water and Sanitation: A Policy Review. Available https://www.un.org/waterforlifedecade/pdf/un_water_policy_brief_2_gender.pdf

UN Water (2021). Summary Progress Update 2021: SDG 6 – water and sanitation for all. Available https://www.unwater.org/sites/default/files/app/uploads/2021/07/SDG-6-Summary-Progress-Update-2021_Version-July-2021.pdf

United Nations Children's Fund (UNICEF) and World Health Organization (2019). Progress on household drinking water, sanitation and hygiene 2000-2017. Special focus on inequalities. Available <https://www.unicef.org/media/55276/file/Progress%20on%20drinking%20water,%20sanitation%20and%20hygiene%202019%20.pdf>

World Bank (2004). Water Resources Sector Strategy. Strategic Directions for World Bank Engagement. Available <https://openknowledge.worldbank.org/bitstream/handle/10986/15013/28114.pdf?sequence=1&isAllowed=y>

World Bank (2016). High and Dry: Climate Change, Water, and the Economy. Available <https://openknowledge.worldbank.org/handle/10986/23665>

World Bank (2017). A Thirst for Change. The World Bank Group's Support for Water Supply and Sanitation, with Focus on the Poor. An Independent Evaluation. Available <https://documents1.worldbank.org/curated/fr/627121518104491041/pdf/A-thirst-for-change-an-IEG-evaluation-of-the-World-Bank-Group-s-support-for-water-supply-and-sanitation-with-focus-on-the-poor-2007-16.pdf>

World Bank (2018). Soppe, Gerard, Nils Janson, and Scarlett Piantini. Water Utility Turnaround Framework: A Guide for Improving Performance. Available <https://openknowledge.worldbank.org/handle/10986/30863>

World Bank (2019). Working Together for a Water-Secure World for All. Available <https://documents1.worldbank.org/curated/en/962901566309738776/Working-Together-for-a-Water-Secure-World.pdf>

World Bank (2020). Water in the Balance: The Economic Impacts of Climate Change and Water Scarcity in the Middle East - Summary for Policy Makers. Available <https://openknowledge.worldbank.org/bitstream/handle/10986/34498/153234.pdf>

World Health Organization and the United Nations Children's Fund (UNICEF) (2021). Progress on household drinking water, sanitation and hygiene 2000-2020: Five years into the SDGs. Available <https://www.who.int/publications/i/item/9789240030848>

World Health Organization, UN Office of the High Commissioner for Human Rights, UN-HABITAT (2010). The right to water. Fact Sheet No. 35. Available <https://digitallibrary.un.org/record/690361?ln=en#record-files-collapse-header>

ANNEX 1. EVALUATION METHODOLOGY

This Annex describes the approach taken by the evaluation to collect and analyse the information that constitutes the evidence base of this report. The evaluation applied a mixed-methods approach to triangulate data and information. This approach combined a quantitative assessment of the portfolio, where relevant, with qualitative assessments based on stakeholder interviews and available documentation. Data was drawn from a range of primary and secondary sources. Secondary sources included EIB and EU policies, project documents (such as Board reports, appraisal reports, progress reports, project completion reports), national country strategies, previous reviews, and other secondary studies and reports. Primary data included direct consultations with EIB staff, implementing partners and other development partners involved in the water sector in the case study countries. Finally, a survey of EIB staff involved in the water sector was conducted. The evaluation was guided by an evaluation matrix comprising five evaluation questions and associated judgment criteria and indicators (see Annex 2). The matrix ensured that all aspects of the evaluation were covered. It was designed based on the theory of change and on the evaluation questions.

Scope of the evaluation

- **Thematic scope** — The evaluation examined projects that were categorised as water sector projects (based on the sector classification used in the corporate internal database).
- **Geographical scope** — The evaluation covered all countries outside the European Union with EIB water sector investments (except former EU members and European Free Trade Association countries).
- **Temporal scope** — The evaluation covered 2010-2021.

Table 2 provides a summary of the data collection and analysis methods for each of the evaluation questions.

Table 2: Data collection and analysis methods for each evaluation question

| METHOD | DATA | 1. RESULTS | 2. DEVELOPMENT | 3. CLIMATE ACTION AND ENVIRONMENTAL SUSTAINABILITY | 4. EXTERNAL FACTORS | 5. INTERNAL FACTORS |
|------------------------------|--|------------|----------------|--|---------------------|---------------------|
| Literature and policy review | Studies and EIB/EU policies and strategies | (X) | X | X | (X) | (X) |
| Portfolio analysis | Corporate internal database | X | (X) | (X) | (X) | (X) |
| REM indicator analysis | REM database | X | | (X) | | |

| | | | | | | |
|---|--|-----|-----|-----|-----|-----|
| Semi-structured interviews (matrix assembly tool) | EIB staff | | X | X | (X) | X |
| | European Commission and international financial institutions EU delegations and lead and other donors Promoters Project implementation units and implementing bodies Civil society | (X) | X | X | X | |
| Country case study | Country sector reporting Lead donor reporting EU delegation and international financial institution reporting Site visits Final beneficiaries | | X | (X) | X | (X) |
| Project case study | EIB/international financial institution/promoter reporting | X | (X) | (X) | (X) | (X) |
| Focus group discussions | EIB services | (X) | (X) | (X) | X | X |
| Survey | Response of EIB services involved in the water sector | X | (X) | (X) | X | X |

Note: X, main method; (X), supportive method

Table 3–Table 5 summarise the methods, data and tools used for the different steps of the evaluation: the sector context analysis (Table 3), the country and thematic level analysis (Table 4) and the synthesis (Table 5). A combination of quantitative and qualitative methods were used to build a robust base of evidence and to triangulate findings.

Sector context analysis

The aim of the analysis was to gain an overview of the guiding policies and strategies of the sector activities to ensure a contextual understanding and to guide the focus, structuring, sampling and methodology of the evaluation.

Table 3: Sector context analysis: methods, data and tools

| METHOD | DATA | TOOLS | QUESTION/CRITERION |
|------------------------|---|---|---|
| Portfolio analysis | EIB corporate database Manual input/correction | Disbursement analysis — analysis of the disbursement ratio by sector, region, borrower type, mandate, loan grading, product type, activity, co-financing international financial institution, total project cost, volume/proportion of EIB funding and size of the contract | Evaluation question 1 Judgment criterion 3.1 |
| | | Sustainability and development analysis — analysis of the economic rate of return (ERR) distribution by sector and region; analysis of the ERR–FIRR distribution. | Evaluation question 1 |
| | | Climate and environmental sustainability analysis — statistics of the climate action objectives by year, sub-category (mitigation/adaptation), sector and region | Evaluation question 2 Evaluation question 3 |
| REM indicator analysis | REM reporting | Indicator analysis — looking at design, progress and completion stages, where data were reported | Evaluation question 1 Judgment criterion 1.4 |

Country and thematic-level analysis

The aim of the analysis was to gain insights into how the EIB supported the water sector in different countries and to gain qualitative insight to complement the qualitative analysis.

Table 4: Country and thematic-level analysis: methods, data and tools

| METHOD | DATA | TOOLS | QUESTION/CRITERION |
|----------------------------|--|--|--|
| Semi-structured interviews | EIB staff European Commission and international financial institutions EU delegations, lead and other donors Promoters Project implementation units and implementing bodies Civil society | Semi-structured check list to ensure a comprehensive review of judgment criteria/indicators while allowing diversion into insightful topics Matrix tool to assemble, cross-check and synthesise findings at judgment criteria and indicator level across all projects, countries and interviews Triangulation through: <ul style="list-style-type: none"> • different evaluators asking the same questions • different people answering the same questions across projects, countries and institutions • use of different qualitative methods on the same evaluation questions and judgment criteria (interviews, report analysis, focus group discussions) • comparison of qualitative and quantitative findings on the same evaluation questions/judgment criteria /indicators | Across all evaluation questions |
| Country case study | Country sector reporting Lead donor reporting EU delegation and international financial institution reporting | Standard format for country/ project case studies to allow comparison across countries and projects and across different evaluators: <ul style="list-style-type: none"> • country overview - development outlook/key policies and strategies, priorities, institutions and key partners • country findings - by evaluation questions and judgment criteria • people interviewed and documents consulted • project overview - basic data/ objectives/climate and environment • project findings - by evaluation questions and judgment criteria | Focus evaluation questions: 1, 2 and 3 Evaluation questions 4 and 5 also considered |

| | | | |
|-------------------------|--|--|-------------------------------------|
| Project case study | EIB/international financial institution/promoter reporting | <p>Thematic project case studies followed the same procedure and structure as in the countries:</p> <ul style="list-style-type: none"> project overview - basic data/objectives/climate and environment project findings - by evaluation questions and judgment criteria <p>All available project completion reports were analysed</p> | |
| Focus group discussions | EIB services | <ul style="list-style-type: none"> Group composition: reference group and special invitees (depending on insight and influence) Key findings shared in advance Three or four topics selected, depending on canvassing in advance | Focus evaluation questions: 4 and 5 |

Synthesis

The aim of this survey was to test emerging findings to develop answers to the evaluation questions as the basis for a set of sound conclusions and forward-looking recommendations.

Table 5: Synthesis: methods, data and tools

| METHOD | DATA | TOOLS | QUESTION/CRITERION |
|--------|-----------------------|--|---------------------------------|
| Survey | EIB services response | Confirmation of emerging findings — to determine services' opinions on the main findings. This included questions related to all evaluation questions, for example the causes of disbursement, experiences of with working with the European Union and international financial institution, and internal/external factors (multiple choice and open responses) | Across all evaluation questions |

Sampling strategy

An essential tool of the evaluation was an assessment of a selected sample of countries and projects. The rationale for selecting countries and thematic case studies was to provide examples from different regions and to ensure that the sample covered various thematic areas and product types. The following considerations guided the sample selection:

- regional considerations;
- thematic areas:
 - the inclusion of the four main water lending orientation areas;
 - coverage of different types of activities;
 - the inclusion of different project types, for example the involvement of technical assistance;

- number of projects, and their size and age:
 - the number/volume of projects in the country;
 - their degree of completion (the presence of project completion reports);
 - if they were recent or older projects;
 - high/low disbursement;
 - high/low reputation of success;
- product type:
 - investment loan, framework loan, grant element (technical assistance);
 - mandate sources/ types;
 - Multilateral development banks/international financial institution involvement.

Country and project cases

In-depth studies of six countries were carried out, and an additional seven thematic case studies were included in the evaluation covering Sub-Saharan Africa, Mediterranean, Western Balkans, Latin America and Asia, as well as technical assistance in a cross-regional case study.

Limitations

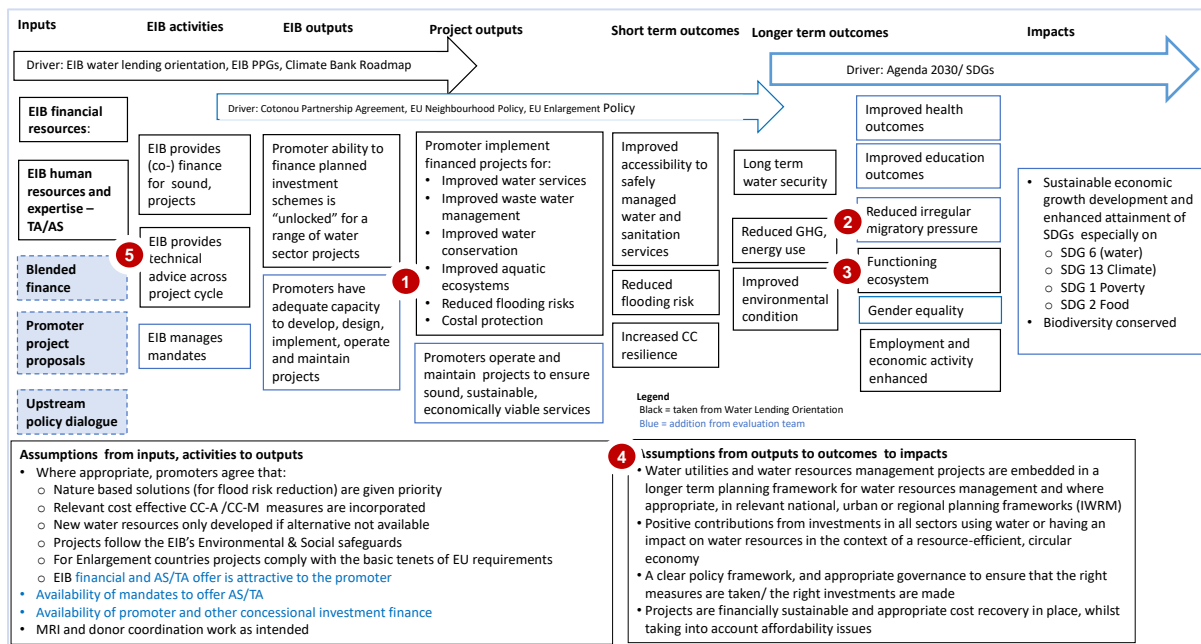
Table 6: Evaluation limitations

| TOPIC | LIMITATION |
|------------------------|--|
| Portfolio and REM data | Qualified by presence of possible data inaccuracy |
| Survey data | Qualified by response rate |
| Data | Only 11 projects among the whole portfolio had a project completion report. Therefore, the evaluation relied mostly on projects still under implementation and was dependent on the completeness of project documentation and its level of thoroughness. Talking to EIB staff and country stakeholders provided an insight into the future aspects of projects, especially on the potential of achieving the expected outcomes |
| Data reliability | Some data/insights were lost due to turn over of staff both in country, donors and the EIB |

Intervention logic

A reconstructed intervention logic for EIB support for the water sector outside European Union was developed (see Figure 22).

Figure 22: Reconstructed intervention logic



Source: Evaluation team based on the 2017 water lending orientation

Driven by its public policy goals, the Climate Bank Roadmap and the water sector lending orientation, the EIB mobilises its financial resources to provide a range of financial and advisory products and services to municipalities and public utilities, to public–private partnership projects and to smaller public and private entities to assist them in financing or co-financing water investment projects that are sound, sustainable and economically and environmentally friendly.

Overall, the logic behind the EIB’s support for the water sector is as follows:

IF promoters propose relevant projects for financing ...

... and IF the EIB has a suitable range of financial products and advisory services and technical assistance ...

... and IF this is supported by blended finance from the European Commission and other donors, then:

IF the EIB provides finance and technical advice to support the origination, feasibility, design and implementation processes ...

... and IF the EIB manages the mandates awarded by donor agencies, then:

the EIB will contribute to the following outputs:

The promoters will be able to unlock finance for water projects and will have sufficient capacity to develop, design, implement, operate and maintain projects that reduce non-revenue water (physical and commercial), increase the reuse of treated wastewater, increase hours and continuity of supply, increase the per capita use of safely managed water, improve the control of industrial discharge, improve conservation measures of water resources and aquatic ecosystems, improve the water quality of natural aquatic ecosystems and reduce flooding risks.

IF all of the above takes place and the following assumptions hold true:

Promoters agree that nature-based solutions (for flood risk reduction) are given priority as an alternative to civil engineering solutions; relevant cost-effective climate change adaptation and mitigation measures are incorporated into project planning, design and operation; new water resources are developed only if alternative demand side measures are not available; and projects follow the EIB's environmental and social safeguards, including consultation with affected communities and, for enlargement countries, projects comply with the basic tenets of EU requirements, including the use of best available techniques, and, for other non-EU countries, projects are as close as possible to satisfying EU standards of quality and efficiency. In addition, there are mandates available to offer advisory services/technical assistance, as well as concessional investment finance and the mutual reliance initiative and donor coordination work, as intended. Finally, the drivers of the EIB Climate Bank Roadmap and public policy goals and the EU policies and partnership agreements have the expected influence.

Then, in a sequence of short- and long-term outcomes and impacts:

For target groups there will be improved quality of water and sanitation; improved affordability of water and sanitation services; improved usability of water and sanitation; increased resilience to extreme weather events/ climate change, including flood risk reduction; improved environmental conditions for water resources and aquatic ecosystems and improved employment prospects.

And, IF the following assumptions also hold true:

Water utilities and water resources management projects are embedded in a longer term planning framework for water resources management and, where appropriate, in relevant national, urban or regional planning frameworks (integrated water resource management); positive contributions from investments in all sectors using water or having an impact on water resources in the context of a resource-efficient, circular economy; a clear policy framework, and appropriate governance to ensure that the right measures are taken/ the right investments are made, projects are financially sustainable and appropriate cost recovery is in place, while taking into account affordability issues. Finally, the national commitment to achieving the SDGs has the expected influence on decision making and implementation.

Then the following impacts will arise:

Long-term water security and sustainability, improved accessibility to safely managed water and sanitation services that are producing improved water quality that is affordable and acceptable, reduced greenhouse gas emissions, increased energy efficiency, and enhanced employment and economic activity.

With a contribution in the longer term on health and educational outcomes, functioning ecosystems and reduced irregular migratory pressure. Finally, biodiversity will be better conserved and sustainable economic growth development and enhanced attainment of Sustainable Development Goals especially:

- SDG 6 (water)
- SDG 13 (climate)
- SDG 1 (poverty)
- SDG 2 (food)

ANNEX 2. EVALUATION FRAMEWORK

Table 7: Evaluation framework

| JUDGMENT CRITERIA | GUIDING INDICATORS | DATA | METHODS | COMMENT(S) ON VALIDITY AND RELIABILITY |
|---|--|--|---|---|
| Question 1: To what extent has EIB support for the water sector in countries outside the European Union achieved the expected results ? | | | | |
| <p>1.1. Design</p> <p>EIB water projects in countries outside the European Union were designed and based on a sound and realistic intervention logic</p> | <p>Extent to which the projects have realistic intervention logic, outputs, outcomes and impact</p> <p>Extent to which the projects identify appropriate assumptions and drivers</p> <p>Extent to which the projects are aligned to national plans and priorities and harmonised with other cooperation programmes</p> | <p>EIB policy and strategy documents</p> <p>Project documentation, such as appraisal reports, Board reports, monitoring reports with monitoring and evaluation (M&E) results and completion reports (EIB or lead international financial institution), REM data and project data</p> <p>SDG reporting for selected countries</p> <p>Reports on national plans for selected countries</p> <p>Interviews, where relevant, with:</p> <ul style="list-style-type: none"> • EIB staff • project promoters • project implementation unit (project management) | <p>Review EIB policy and strategy documents</p> <p>Review EIB project documentation (appraisal documents, Board reports, project completion reports, etc.)</p> <p>Carry out country/project case studies with elements relevant to guiding indicators</p> <p>EIB reporting (SDG reporting, reports on outside the European Union)</p> <p>Semi-structured interviews with staff and stakeholders in selected countries (against a checklist and using the matrix findings assembly tool)</p> | <p>Conclusions on the results aspect would depend on the completeness of project documentation and the level of thoroughness</p> <p>Discussions with the EIB staff and country stakeholders should shed light on the technical aspects that implemented projects have faced, and how they were solved</p> |

| | | | | |
|---|---|--|---|---|
| <p>1.2. M&E</p> <p>EIB water projects in countries outside the European Union had a credible M&E system and reporting in place</p> | <p>Extent to which the standard EIB sector and subsector indicators list proved useful for project monitoring and reporting</p> <p>Extent to which reporting has been timely, comprehensive and accurate</p> | <p>Project documentation, such as appraisal reports, Board reports, monitoring reports with M&E results and completion reports (EIB or lead international financial institution), REM data and project data</p> <p>Interviews with:</p> <ul style="list-style-type: none"> • project management • EIB staff | <p>Review EIB project documentation (appraisal documents, Board reports, project completion reports, etc.)</p> <p>Carry out country/project case studies with elements relevant to guiding indicators</p> <p>Semi-structured interviews with staff and stakeholders in selected countries (against a checklist and using the matrix findings assembly tool)</p> | <p>Conclusions on the M&E aspect would depend on the completeness of project documentation and the level of thoroughness</p> <p>Discussions with the EIB staff and country stakeholders should shed light on the technical aspects that implemented projects have faced, and how they were solved</p> |
| <p>1.3. Outputs</p> <p>EIB water projects in countries outside the European Union were implemented as planned</p> | <p>Extent to which planned outputs have been delivered in a timely way (that is, against their planned timeframes)</p> <p>Extent to which EIB water projects have delivered their planned outputs in terms of their quality/quantity</p> <p>Extent to which the allocated financing has been disbursed as expected (% against planned, delay in disbursement)</p> | <p>Project documentation, such as appraisal reports, Board reports, monitoring reports with M&E results and completion reports (EIB or lead international financial institution), REM data and project data</p> <p>SDG reporting for selected countries</p> <p>Portfolio data on disbursement amounts and delays</p> <p>Interviews, where relevant, with:</p> <ul style="list-style-type: none"> • EIB staff • project promoters • project implementation unit (project management) | <p>Review EIB project documentation (appraisal documents, Board reports, project completion reports, etc.)</p> <p>Carry out country/project case studies with elements relevant to guiding indicators</p> <p>Semi-structured interviews with staff and stakeholders in selected countries (against a checklist and using the matrix findings assembly tool)</p> | <p>Conclusions on the results aspect would depend on the completeness of project documentation and the level of thoroughness</p> <p>Discussions with the EIB staff and country stakeholders should shed light on the technical aspects that implemented projects have faced, and how they were solved</p> |

| | | | | |
|--|---|---|---|---|
| <p>1.4. Outcomes</p> <p>EIB water projects led to improved services</p> | <p>Extent to which outputs were utilised to achieve planned outcomes</p> <p>Extent to which planned outcomes were achieved</p> <p>Extent to which EIB actions and approach improved the outcomes</p> <p>Number of population benefiting from safe drinking water systems and/or improved sanitation services</p> | <p>Project documentation, such as appraisal reports, Board reports, monitoring reports with M&E results and completion reports (EIB or lead international financial institution), REM data and project data</p> <p>Interviews, where relevant, with:</p> <ul style="list-style-type: none"> • EIB staff • project promoters • project implementation unit (project management) | <p>Review EIB project documentation (appraisal documents, Board reports, project completion reports, etc.)</p> <p>Carry out country/project case studies with elements relevant to guiding indicators</p> <p>Semi-structured interviews with staff and stakeholders in selected countries (against a checklist and using the matrix findings assembly tool)</p> | <p>Conclusions on achieved outcomes would depend largely on whether the project has been completed and become operational (some projects are still under implementation)</p> <p>Talking to EIB staff and country stakeholders should provide an insight on the future aspects of the project</p> |
| <p>1.5. Sustainability</p> <p>EIB water projects in countries outside the European Union provided services that were sustainable and will continue to deliver the expected benefits in the long run</p> | <p>Extent to which EIB water projects were designed to adequately integrate sustainability measures and have taken into consideration the factors that can enhance or impede service sustainability</p> <p>Extent to which EIB water projects have assisted or put in place measures for the relevant implementing agencies to implement internationally accepted follow-up tools and practices</p> <p>Evidence that water projects are being operated and maintained and are continuing to deliver the benefits expected</p> | <p>Project documentation such as appraisal reports, Board reports, monitoring reports with M&E results and completion report (EIB or lead international financial institution), REM data and project data</p> <p>SDG reporting for selected countries</p> <p>Interviews, where relevant, with:</p> <ul style="list-style-type: none"> • EIB staff • project promoters | <p>Review EIB project documentation (appraisal documents, Board reports, project completion reports, etc.)</p> <p>Carry out country/project case studies with elements relevant to guiding indicators</p> <p>Semi-structured interviews with staff and stakeholders in selected countries (against a checklist and using the matrix findings assembly tool)</p> | <p>Conclusions on the sustainability aspect would depend largely on whether the project has been completed and become operational. Some projects are still under implementation</p> <p>Talking to EIB staff and country stakeholders should provide an insight on the future aspects of the project</p> |

Question 2: To what extent has EIB support for the water sector outside the European Union adopted an approach that facilitates **development outcomes**?

| | | | | |
|---|---|---|--|---|
| <p>2.1. Institutions</p> <p>The EIB ensured that the water sector projects it supported contribute to building effective, accountable and inclusive institutions</p> | <p>Extent to which the projects supported by the EIB in the water sector identified and were designed to maximise opportunities to build effective, accountable and inclusive institutions, making best use of technical assistance and related instruments (for example water operator partnerships)</p> <p>Extent to which the projects supported by the EIB in the water sector monitored and reported on institutional capacity and development</p> | <p>EIB policy and strategy documents</p> <p>Project documentation, such as appraisal reports, Board reports, monitoring reports with M&E results and completion reports (EIB or lead international financial institution), REM data and other project data</p> <p>SDG reporting for selected countries</p> <p>Other reporting on water and sanitation at national or regional level, including evaluations, surveys and reports from other donors</p> <p>Interviews, where relevant, with:</p> <ul style="list-style-type: none"> • EIB staff • project promoters • other development actors, including lead donors and water and national sanitation stakeholders | <p>Review EIB project documentation (appraisal documents, Board reports, project completion reports, etc.)</p> <p>Carry out country/project case studies with elements relevant to guiding indicators</p> <p>Document review of SDG reporting, country/ regional reporting and other donor reporting</p> <p>Semi-structured interviews with staff and stakeholders in selected countries (against a checklist and using the matrix findings assembly tool)</p> | <p>Data reliability — some data/insight might be lost due to turnover of staff both in country and among donors and the EIB</p> <p>Conclusions on the outcomes will depend on the completeness of project documentation</p> <p>With the relatively recent emergence of the EIB as the EU climate bank (2020) and of EIB Global (2022), this evaluation question is looking at what has been achieved in the past, with a view to identifying lessons for the future</p> |
|---|---|---|--|---|

| | | | | |
|--|---|--|--|---|
| <p>2.2. People</p> <p>The EIB ensured that the water sector projects it supported contributed to social development outcomes, such as health and education, food security and gender equality</p> | <p>Extent to which the projects supported by the EIB in the water sector identified and were designed to maximise social development outcomes in terms of food security, health and education, taking into consideration other international cooperation and supporting the roles and responsibilities of national stakeholders</p> <p>Extent to which the projects supported by the EIB in the water sector monitored and reported on social development outcomes in terms of food security, health, education and gender equality</p> | <p>EIB policy and strategy documents</p> <p>Project documentation, such as appraisal reports, Board reports, monitoring reports with M&E results and completion report (EIB or lead international financial institution), REM data and other project data</p> <p>SDG reporting for selected countries</p> <p>Other reporting on water and sanitation at national or regional level, including evaluations, surveys and reports from other donors</p> <p>Interviews, where relevant, with:</p> <ul style="list-style-type: none"> • EIB staff • project promoters • other development actors, including lead donors and water and national sanitation stakeholders | <p>Review EIB project documentation (appraisal documents, Board reports, project completion reports, etc.)</p> <p>Carry out country/project case studies with elements relevant to guiding indicators</p> <p>Document review of SDG reporting, country/ regional and other donor reporting</p> <p>Semi-structured interviews with staff and stakeholders in selected countries (against a checklist and using the matrix findings assembly tool)</p> | <p>Data reliability — some data/insight might be lost due to turnover of staff both in country and among donors and the EIB</p> <p>Conclusions on the outcomes will depend on the completeness of project documentation</p> <p>With the relatively recent emergence of the EIB as the EU climate bank (2020) and of EIB Global (2022), this evaluation question is looking at what has been achieved in the past, with a view to identifying lessons for the future</p> |
|--|---|--|--|---|

| | | | | |
|---|---|--|--|---|
| <p>2.3. Prosperity</p> <p>The EIB ensured that the water sector projects it supported contributed to increased jobs and growth</p> | <p>Extent to which the projects supported by the EIB in the water sector identified and were designed to maximise innovation, jobs and economic development outcomes, taking into consideration other international cooperation and supporting the roles and responsibilities of national stakeholders and EU experience</p> <p>Extent to which the projects supported by the EIB in the water sector monitored and reported on innovation, jobs and economic development impacts</p> | <p>EIB policy and strategy documents</p> <p>Project documentation, such as appraisal reports, Board reports, monitoring reports with M&E results and completion reports (EIB or lead international financial institution), REM data and other project data</p> <p>SDG reporting for selected countries</p> <p>Other reporting on water and sanitation at national or regional level, including evaluations, surveys and reports from other donors</p> <p>Evidence of experience from within the European Union on water being transferred via EIB operations</p> <p>Interviews, where relevant, with:</p> <ul style="list-style-type: none"> • EIB staff • project promoters • other development actors, including lead donors and water and national sanitation stakeholders | <p>Review EIB project documentation (appraisal documents, Board reports, project completion reports, etc.)</p> <p>Carry out country/project case studies with elements relevant to guiding indicators</p> <p>Document review of SDG reporting, country/ regional reporting and other donor reporting</p> <p>Semi-structured Interviews with staff and stakeholders in selected countries (against a checklist and using the matrix findings assembly tool)</p> | <p>Data reliability — some data/insight might be lost due to turnover of staff both in country and among donors and the EIB</p> <p>Conclusions on the outcomes will depend on the completeness of project documentation</p> <p>With the relatively recent emergence of the EIB as the EU climate bank (2020) and of EIB Global (2022), this evaluation question is looking at what has been achieved in the past, with a view to identifying lessons for the future</p> |
|---|---|--|--|---|

| | | | | |
|---|--|---|--|---|
| <p>2.4. Peace</p> <p>The EIB ensured that the water sector projects it supported adopted a conflict-sensitive approach</p> | <p>Extent to which the projects supported by the EIB in the water sector have been conflict sensitive and have identified and were designed to maximise opportunities to reduce conflict and/or water-related migration, taking into consideration other international cooperation and supporting the roles and responsibilities of national stakeholders</p> <p>Extent to which the projects supported by the EIB in the water sector monitored and reported on conflict reduction and/or water-related migration</p> | <p>EIB policy and strategy documents</p> <p>Project documentation, such as appraisal reports, Board reports, monitoring reports with M&E results and completion reports (EIB or lead international financial institution), REM data and other project data</p> <p>SDG reporting for selected country case studies</p> <p>Other reporting on water and sanitation at national or regional level, including evaluations, surveys and reports from other donors</p> <p>Interviews where relevant with</p> <ul style="list-style-type: none"> • EIB staff • project promoters • other development actors, including lead donors and water and national sanitation stakeholders | <p>Review EIB project documentation (appraisal documents, Board reports, project completion reports, etc.)</p> <p>Carry out country/project case studies with elements relevant to guiding indicators</p> <p>Document review of SDG reporting, country/ regional reporting and other donor reporting</p> <p>Semi-structured Interviews with staff and stakeholders in selected countries (against a checklist and using the matrix findings assembly tool)</p> | <p>Data reliability — some data/insight might be lost due to turnover of staff both in country and among donors and the EIB</p> <p>Conclusions on the outcomes will depend on the completeness of project documentation</p> <p>With the relatively recent emergence of the EIB as the EU climate bank (2020) and of EIB Global (2022), this evaluation question is looking at what has been achieved in the past, with a view to identifying lessons for the future</p> |
|---|--|---|--|---|

Question 3: To what extent has EIB support for the water sector outside the European Union contributed to **environmental sustainability and climate change adaptation and mitigation**?

| | | | | |
|---|---|--|---|---|
| <p>3.1. Climate action</p> <p>EIB support for the water sector has contributed to climate change adaptation and mitigation</p> | <p>Extent to which the projects identified and were designed to maximise climate change adaptation (increased resilience, for example through conservation and/or greater reliability of supply) and climate change mitigation (energy efficiency, greenhouse gas reduction) measures in their design and appraisal, taking into consideration other international cooperation and supporting the roles and responsibilities of national stakeholders</p> <p>Extent to which the projects monitored and reported on climate change adaptation and mitigation</p> <p>Volume of climate action (adaptation and mitigation) over time and in comparison with other sectors</p> | <p>Project documentation such as the Environmental Impact Assessment (EIA), the Climate Risk Assessment (CRA)/ Climate Risk vulnerability Assessment (CRVA), appraisal reports, Board reports, monitoring reports with M&E results and completion reports (EIB or lead international financial institution)</p> <p>REM data (energy consumption (sewerage and water supply))</p> <p>Project data, for example target greenhouse gas emissions reduction</p> <p>National climate change adaptation plans and other relevant documents</p> <p>Opinions of key people in the EIB, donors, national authorities, promoters and relevant stakeholders</p> <p>Percentage of operations with a climate action tag</p> | <p>Document using the project-level case study analysis tool</p> <p>Interviews with EIB headquarters staff/ EIB country/ regional offices</p> <p>Interviews with donors (especially the lead donor) and EU delegations</p> <p>Interviews with national authorities, promoters and relevant stakeholders</p> <p>Review documents (project documents, EIB policy and strategy documents, and national documents)</p> <p>Contribution analysis (case studies)</p> <p>Portfolio analysis (climate action)</p> | <p>Data reliability — some data/insight might be lost due to turnover of staff both in country and among donors and the EIB</p> <p>Contribution/attribution — it is difficult to determine what outcomes /impact are attributable to the EIB/a specific project</p> |
|---|---|--|---|---|

| | | | | |
|---|---|---|--|---|
| <p>3.2. Environmental sustainability</p> <p>EIB support for the water sector has contributed to environmental sustainability</p> | <p>Extent to which the projects identified and were designed to maximise environmental sustainability (sustainable use of water, pollution prevention, and protection of biodiversity and ecosystems, including water and marine resources) in their design and appraisal, taking into consideration other international cooperation and supporting the roles and responsibilities of national stakeholders</p> <p>Extent to which the projects monitored and reported on environmental sustainability</p> <p>Volume of environmental sustainability over time and in comparison with other sectors</p> | <p>Project documentation such as the Environmental Impact Assessment (EIA), the Climate Risk Assessment (CRA)/ Climate Risk vulnerability Assessment (CRVA), appraisal reports, Board reports, monitoring reports with M&E results and completion reports (EIB or lead international financial institution)</p> <p>REM data (for example the percentage of treated wastewater)</p> <p>Project data</p> <p>National environmental plans and policies and other relevant documents</p> <p>Opinions of key people in the EIB, donors, national authorities, promoters and relevant stakeholders</p> <p>Percentage of operations with an environmental sustainability tag</p> | <p>Document using the project-level case study analysis tool</p> <p>Interview with EIB staff in headquarters/ EIB country/ regional offices</p> <p>Interviews with donors (especially lead donor) and EU delegations</p> <p>Interviews with national authorities, promoters and relevant stakeholders</p> <p>Review documents (project documents, EIB policy and strategy documents and national documents)</p> <p>Contribution analysis (case studies)</p> <p>Portfolio analysis (environmental sustainability)</p> | <p>Data reliability — some data/insight might be lost due to turnover of staff both in country and among donors and the EIB</p> <p>Contribution/attribution — it is difficult to determine what outcomes /impact are attributable to the EIB/a specific project</p> |
|---|---|---|--|---|

Question 4: What have **the external** challenges and opportunities been that influence the achievement of results of the EIB water sector support outside the European Union?

| | | | | |
|--|--|--|---|--|
| <p>4.1. The country enabling environment (policy/plans/institutions) created both challenges and opportunities for generating results that the EIB responded to</p> | <p>Country readiness — presence of relevant and credible policies and the EIB's capacity to respond appropriately</p> <p>Country readiness — the presence of relevant and credible plans and investment programmes and the EIB's capacity to</p> | <p>National document reviews, diagnostics and analyses of policies, plans and the institutional set-up (including the regulator)</p> <p>Country analysis/strategies by the EIB and donors</p> <p>EIB country analysis (if available)</p> | <p>Internet searches (national bodies, donors, the UN and others)</p> <p>Document using the country- and sector- level case study analysis tool that looks at the sector context</p> <p>Interviews with EIB HQ staff/ EIB</p> | <p>Reliability — some data/insights might be lost due to turnover of staff both in the country and among donors and the EIB</p> <p>Validity — much will depend on the availability of quality country-specific analysis and whether this</p> |
|--|--|--|---|--|

| | | | | |
|---|--|---|--|---|
| | <p>respond appropriately (through both technical assistance and investment)</p> <p>Country presence of credible and accountable institutions at policy and regulatory level and the EIB's capacity to respond appropriately (through both technical assistance and investment)</p> | <p>Project Board reports, appraisal reports and monitoring reports with M&E results</p> <p>Completion reports (EIB or lead international financial institution)</p> <p>Opinions of key people in the EIB and involved in the sector (national and external), including on the challenges related to the political situation in the country</p> | <p>country/ regional offices</p> <p>Interviews with donors (especially the lead donor) and EU delegations</p> <p>Interviews with national authorities</p> | <p>corresponds to the period of key decision-making for the EIB supported project</p> |
| <p>4.2. The promoter capacity created both challenges and opportunities for generating results that the EIB responded to</p> | <p>Level of disbursement</p> <p>Promoter capacity, insitutional strength and the EIB's capacity to respond appropriately (through both technical assistance and investment)</p> <p>Level of inclusiveness and social cohesion at project level</p> | <p>Promoter web site and documents including for example International Benchmarking Network (IBNET) data</p> <p>Country regulator reports</p> <p>Analysis/strategies by the EIB and donors</p> <p>Project Board reports, appraisal reports and monitoring reports with M&E results</p> <p>Completion reports (EIB or lead international financial institution)</p> <p>Opinions of key people in the EIB and involved in the project (national and external), including water user groups or civil society representatives, including on the challenges related to the political situation in the promoter and institutional context</p> | <p>Document using the project-level case study analysis tool</p> <p>Interviews with EIB HQ staff/ EIB country/ regional offices</p> <p>Interviews with donors (especially lead donors) and EU delegations</p> <p>Interviews with national authorities, promoters and relevant stakeholders</p> | <p>Reliability — some data/insights might be lost due to turnover of staff among the promoters, the donors and the EIB</p> <p>Validity — much will depend on the availability of quality project-level analysis and whether this corresponds to the period of key decision-making for the EIB supported project</p> |

| | | | | |
|---|--|---|---|--|
| <p>4.3. EU cooperation created both challenges and opportunities for generating results that the EIB responded to</p> | <p>The European Commission/EU delegations were engaged in and added value to the origination, design, implementation and operation of the project</p> <p>Member States were engaged in water programmes and coordination efforts added value to origination, design, implementation and operation of the project</p> | <p>Project Board reports, appraisal reports, monitoring reports with M&E results</p> <p>Completion reports (EIB or lead Member State)</p> <p>EU coordination meeting records</p> <p>Opinions of key people in the EIB, EU delegations and other Member States, and national staff involved in the project</p> | <p>Document using the project-level case study analysis tool</p> <p>Interviews with EIB HQ staff/ EIB country/ regional offices</p> <p>Interviews with Member State representatives (especially lead Member State representative) and EU delegations</p> <p>Interviews with national authorities, promoters and relevant stakeholders</p> | <p>Reliability — some data/insights might be lost due to turnover of staff within EU delegations and Member States</p> <p>Validity — much will depend on the availability of records of cooperation with EU delegations and Member States</p> |
| <p>4.4. Cooperation with international financial institutions and non-EU development partners created both challenges and opportunities for generating results that the EIB responded to</p> | <p>International financial institutions were engaged in and added value to the origination, design, implementation and operation of the project</p> <p>Other donors were engaged in water programmes and coordination efforts, and added value to the origination, design, implementation and operation of the project</p> | <p>Project Board reports, appraisal reports and monitoring reports with M&E results</p> <p>Completion reports (EIB or lead international financial institution)</p> <p>International financial institution and donor coordination meeting records</p> <p>Opinions of key people in the EIB, international financial institutions and other donors, and national staff involved in the project</p> | <p>Document using the project-level case study analysis tool</p> <p>Interviews with EIB HQ staff/ EIB country/ regional offices</p> <p>Interviews with donors (especially the lead donor)</p> <p>Interviews with national authorities, promoters and relevant stakeholders</p> | <p>Reliability — some data/insights might be lost due to turnover of staff within international financial institutions and donors</p> <p>Validity — much will depend on the availability of records of cooperation with international financial institutions/ donors</p> |

Question 5: What have the **internal challenges and opportunities** been for achieving the results of the EIB water sector support outside the European Union?

| | | | | |
|---|--|--|---|--|
| <p>5.1. Policies</p> <p>EIB policies and strategies have successfully targeted the needs of the beneficiaries and have mitigated risks</p> | <p>Extent to which EIB water orientations and linked strategies have correctly identified the needs of the final beneficiaries</p> <p>Extent to which the strategies underpinning EIB actions were successfully adapted to the evolving needs of the beneficiaries at national, regional and local levels</p> <p>Extent to which EIB systems at the appraisal and monitoring stages were conducive to achieving expected results</p> | <p>Data on access to water and sanitation by country/region (and its evolution)</p> <p>Volume of investment required for various water sector areas/activities (by country/region)</p> <p>Volume of investment supported by activity/country/region</p> <p>Any gaps perceived by the beneficiaries and EIB staff between the needs of the former and the EIB offer (qualitative assessment)</p> <p>Project data (targets ex ante: for example, the percentage of greenhouse gas emissions reduction thanks to the project, the volume of new customers with access to water supply and water quality indicators)</p> | <p>Review of EIB policy and strategy documents (internal EIB and European Union level documents)</p> <p>Interviews with final beneficiaries (case studies) and EIB staff per region</p> <p>Review of the project documentation data (appraisal and monitoring) —assessment of the accuracy and completeness thereof</p> <p>Review of national and regional policy documents related to the water and sanitation sector and its inclusion within a wider scope or within national and regional development</p> <p>Data analysis — evolution of the unfulfilled needs by activity</p> | <p>Reliability — findings are as reliable as the data inputted in the project documentation and policy documents (expected to be high)</p> <p>Validity — alignment with needs based on mainly qualitative evidence (judgment based on review of documents)</p> |
|---|--|--|---|--|

| | | | | |
|---|---|---|---|---|
| <p>5.2. Business model</p> <p>The EIB business model enabled the Bank to take advantage of opportunities and successfully alleviate risks and difficulties posed by the external environment</p> | <p>Extent to which the product offer has been adapted to the needs of the clients</p> <p>Extent to which provision of technical assistance/advisory services has improved the design and quality of projects; the EIB has identified valuable projects</p> <p>Extent to which there has been complementarity in the use of mandates (concessional finance) with the EIB offer and mandates have offered sufficient flexibility to the EIB in the use of resources</p> <p>Extent to which the EIB offer has been complementary to other international financial institutions' offers (rather than substitutable) and there has been subsidiarity (efficient organisation of cooperation within a project and within a region as a whole); there has been distinct EIB value added and experience from the European Union has been transferred where relevant</p> | <p>Evolution of EIB support by product</p> <p>Percentage of operations involving technical assistance at different stages (project preparation, project implementation and upstream advisory services)</p> <p>Projects identified by advisory services that led to signature</p> <p>REM indicators (ex ante)</p> <p>Project completion report indicators (whenever available)</p> <p>Projects co-financed with other international financial institutions</p> <p>Evidence of transfer of EU experience (cases and examples)</p> <p>Disbursement statistics analysis of the portfolio and insight into internal causes arising from the case studies</p> | <p>Review of EIB documentation (products) — identification of gaps and SWOT analysis by product</p> <p>Review of project documentation (technical assistance)</p> <p>Interviews with representatives of other international financial institutions and the European Commission</p> <p>Interviews with EIB staff</p> <p>Portfolio analysis (by product, by multilateral development bank and by blending facility)</p> | <p>Reliability — older projects may have incomplete or inaccurate data</p> <p>Validity — from the scoping interviews with the EIB staff it appears that the cooperation with other international financial institutions was key. This path is of fundamental importance for this judgment criterion</p> |
|---|---|---|---|---|

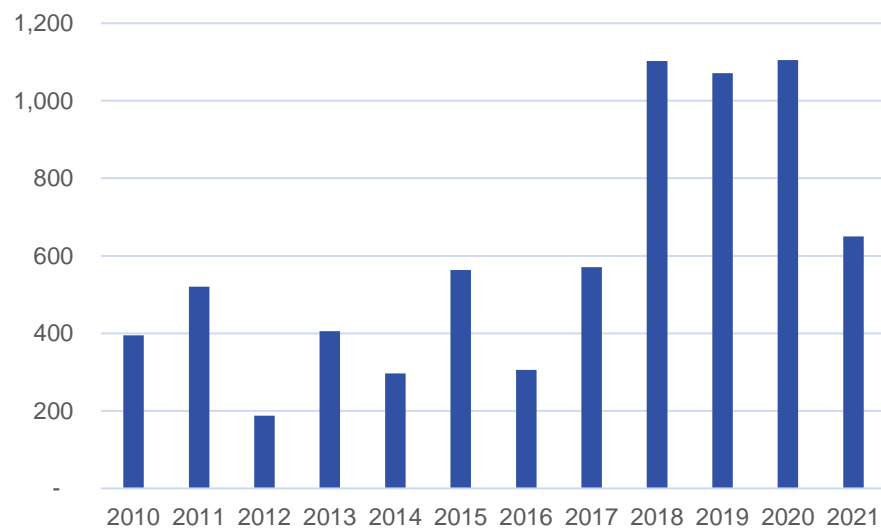
| | | | | |
|---|---|---|--|---|
| <p>5.3. Human resources</p> <p>The EIB's knowledge, capacity and resources enabled it to mitigate challenges and take advantage of opportunities</p> | <p>The EIB has mobilised internal and external resources that provided direction/influence to project design and supported results, and especially regarding sustainability</p> | <p>Number of EIB staff engaged in the water and sanitation sector per year</p> <p>Human resources needs (staff) with respect to the envisaged volume of operations</p> <p>Existence and numerical importance of projects put aside (or transferred to other international financial institutions – owing to a lack of staff resources or the necessary skill set)</p> <p>Type and magnitude of potential EIB staff skill gaps (in particular in an advisory and technical assistance capacity)</p> <p>Percentage of operations conducted with other international financial institutions</p> <p>Percentage of operations conducted with EU delegation support</p> | <p>Portfolio analysis</p> <p>Interviews with final beneficiaries</p> <p>Interviews with EIB staff</p> <p>Interviews with the European Commission (for example, Directorate-General for International Partnerships)</p> | <p>Reliability — overall findings are fully reliable (provided the corresponding data in the corporate internal database are accurate and answers from the interviewees are sincere).</p> <p>Validity — one caveat is that the volume of human resources engaged depends on the business model: the same volume of human resources may suffice if the cooperation with other international financial institutions is systematic</p> |
|---|---|---|--|---|

ANNEX 3. PORTFOLIO REVIEW

01

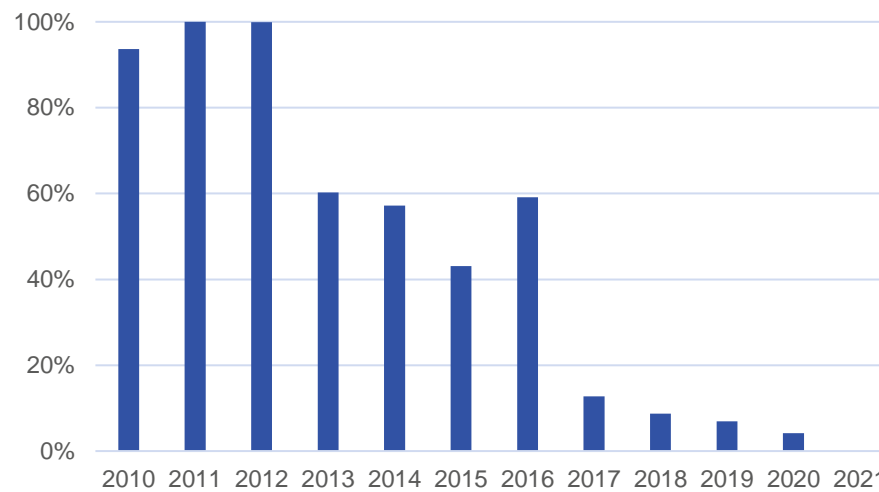
Descriptive
statistics

Figure 23: Volume signed (€ million)



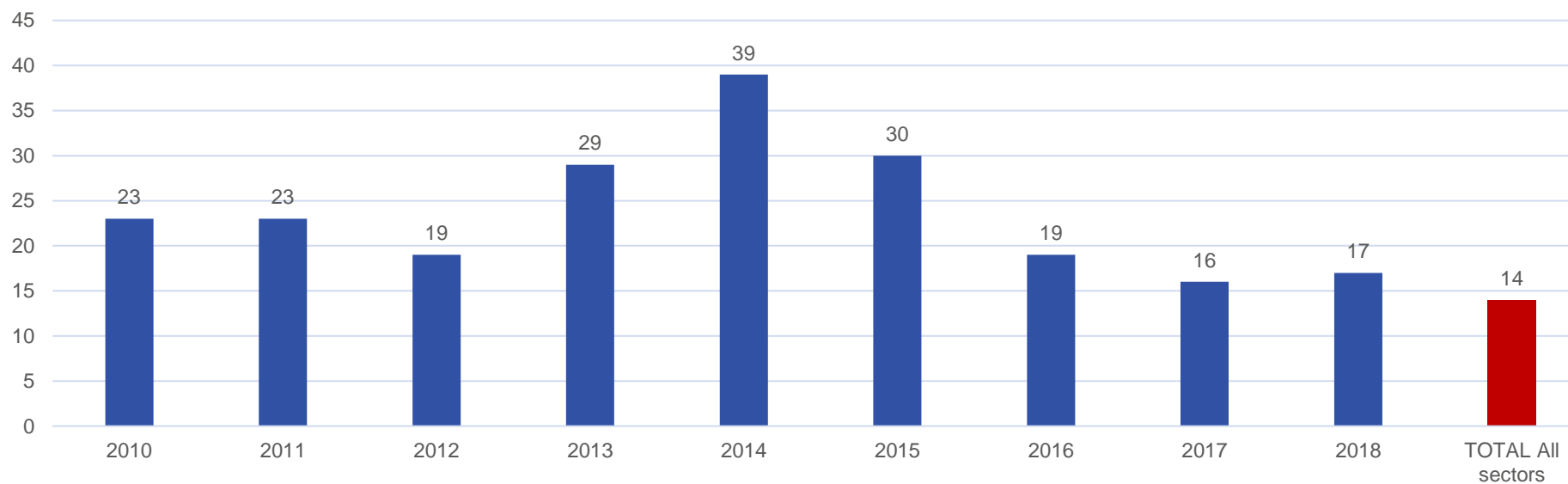
Source: Evaluation Division based on the corporate internal database

Figure 24: Percentage of volume signed in a given year that was disbursed by 2021 (%)



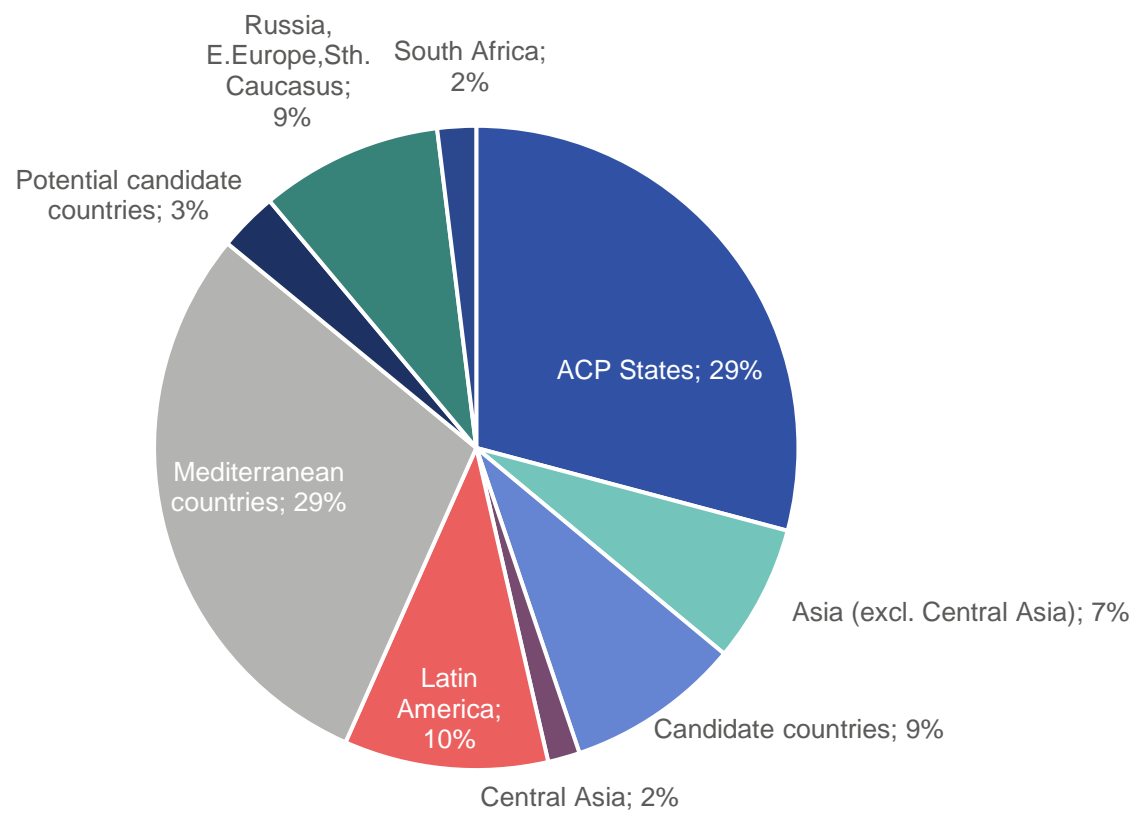
Source: Evaluation Division based on the corporate internal database

Figure 25: Number of months from signature to the first disbursement



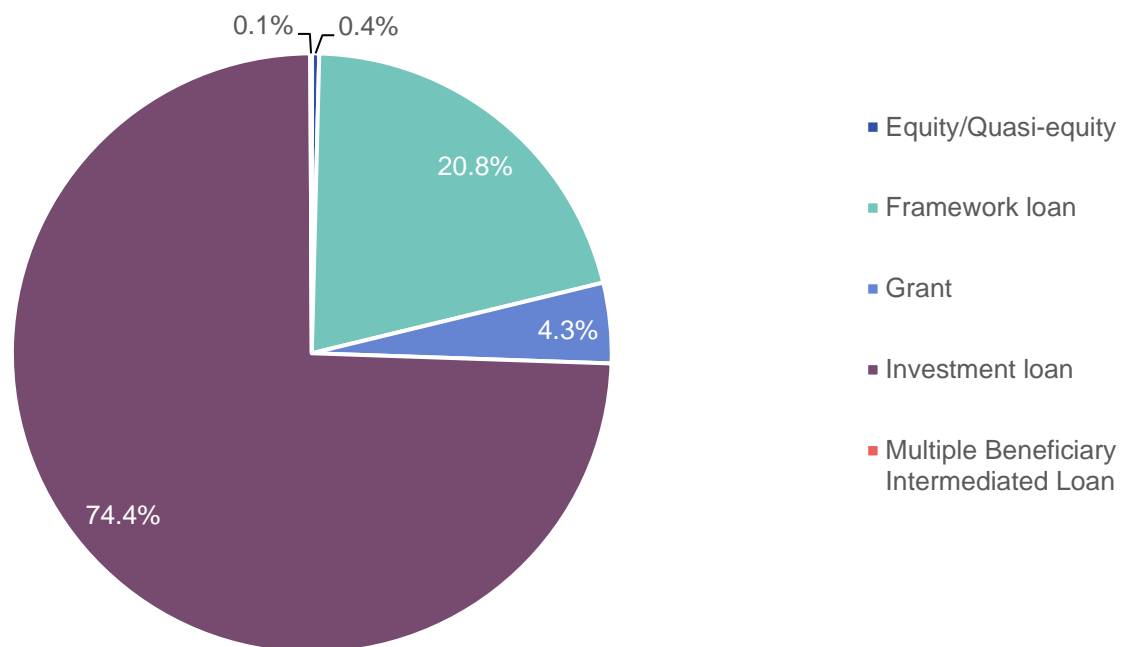
Source: Evaluation Division based on the corporate internal database

Figure 26: Volume signed, by region (2010-2021, %)



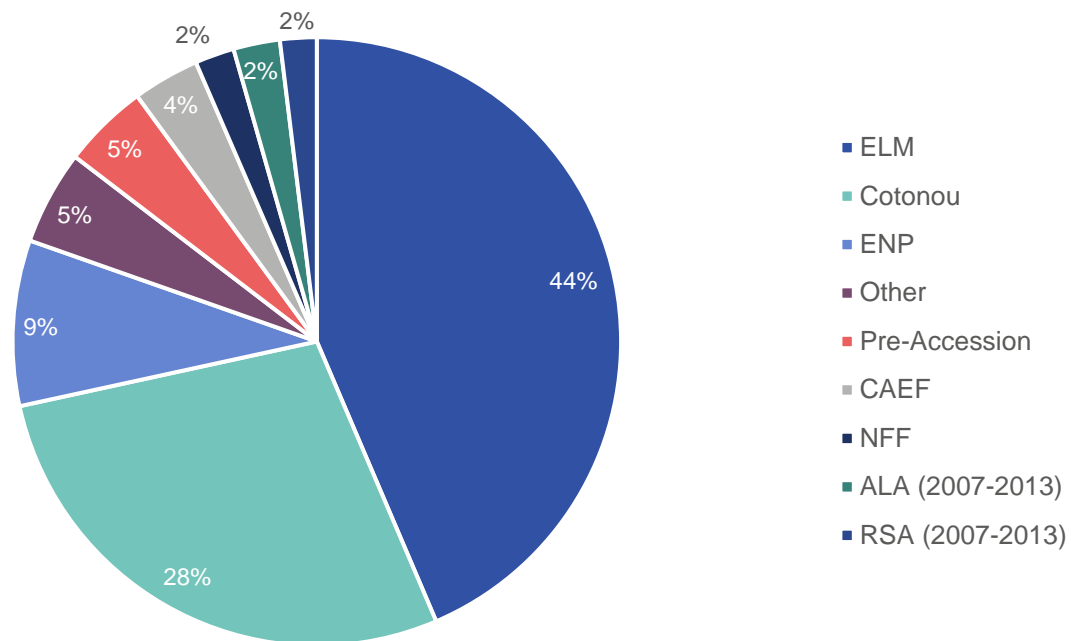
Source: Evaluation Division based on the corporate internal database

Figure 27: Volume signed, by product (2010-2021, %)



Source: Evaluation Division based on the corporate internal database

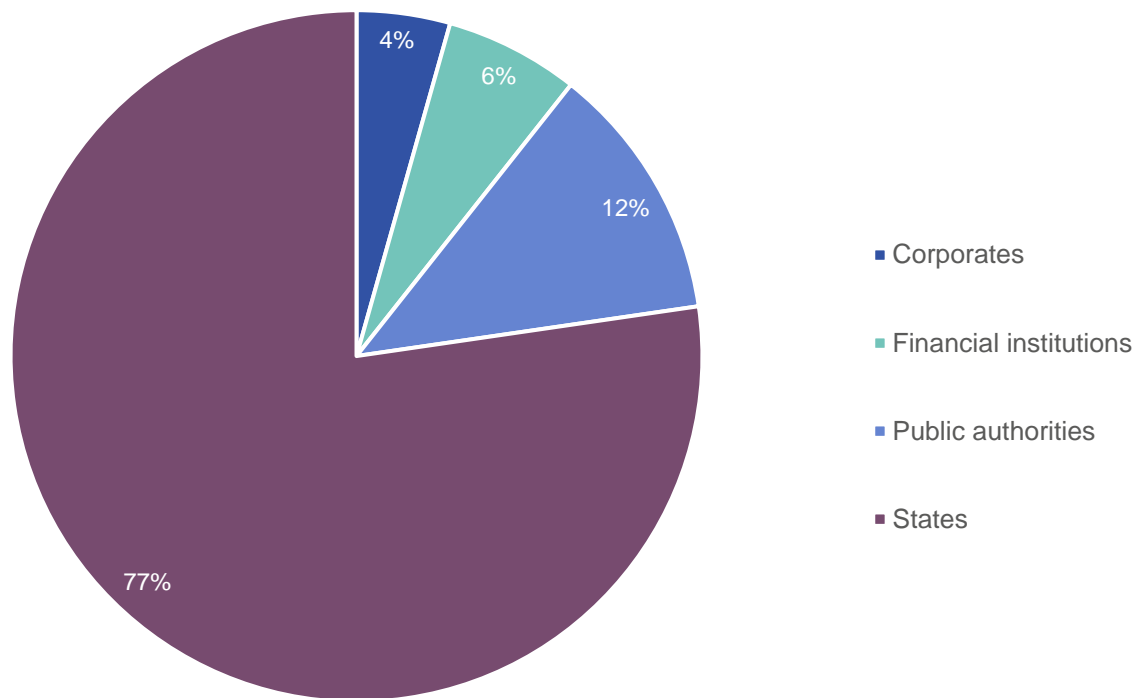
Figure 28: Volume signed, by mandate (2010-2021, % of total)



Source: Evaluation Division based on the corporate internal database

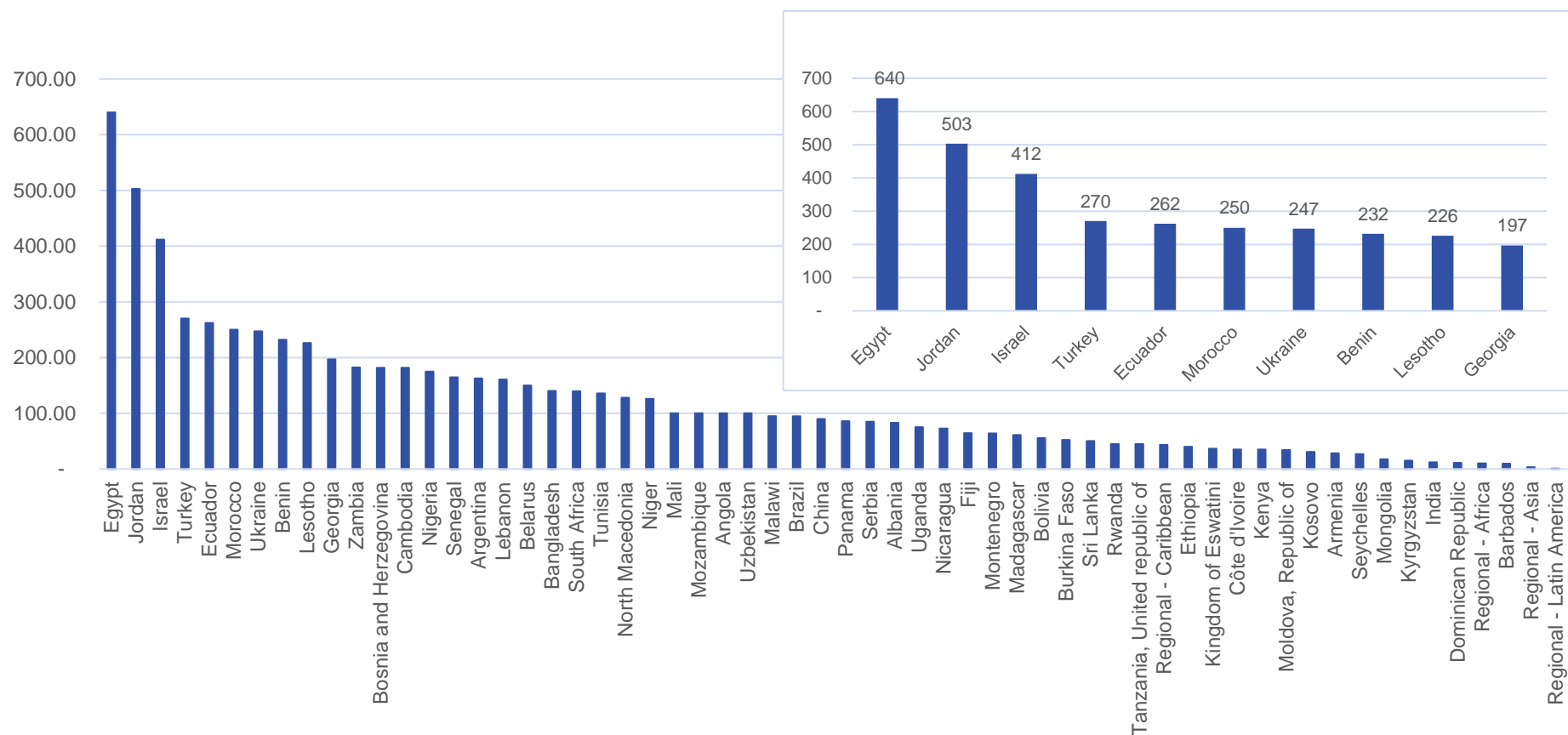
Notes: ALA, Asia and Latin America; CAEF, Climate Action and Environment Facility; ELM, External Lending Mandate; ENP, European Neighbourhood Policy; NFF, Neighbourhood Financing Facility; RSA: Republic of South Africa

Figure 29: Volume signed, by type of borrower (2010-2021, % of total)



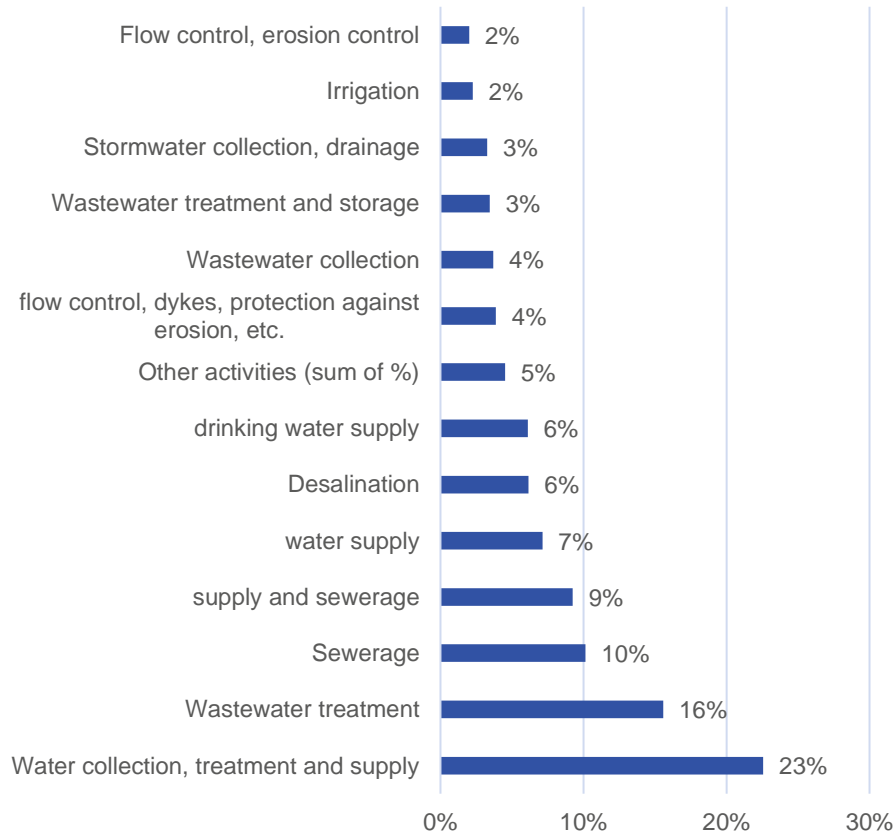
Source: Evaluation Division based on the corporate internal database

Figure 30: Volume signed (2010-2021, € million)



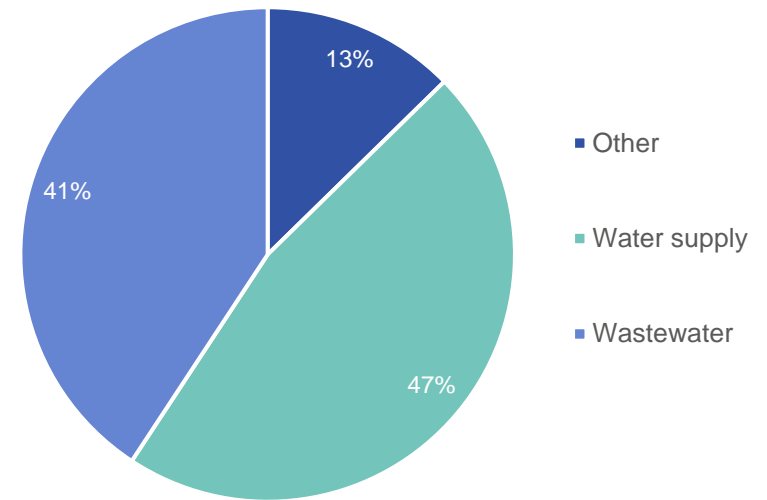
Source: Evaluation Division based on the corporate internal database

Figure 31: Distribution by activity (2010-2021, % of total volume signed)



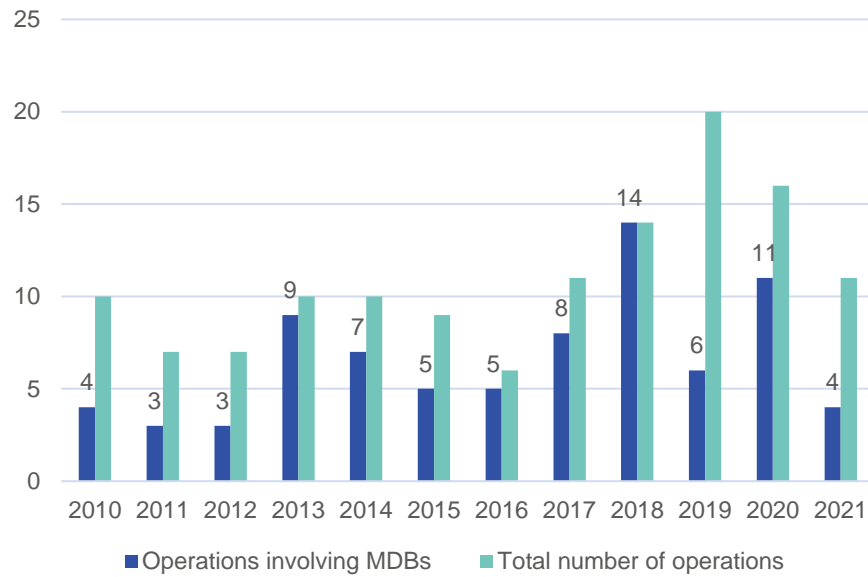
Source: Evaluation Division based on the corporate internal database

Figure 32: Distribution by main activities (%)



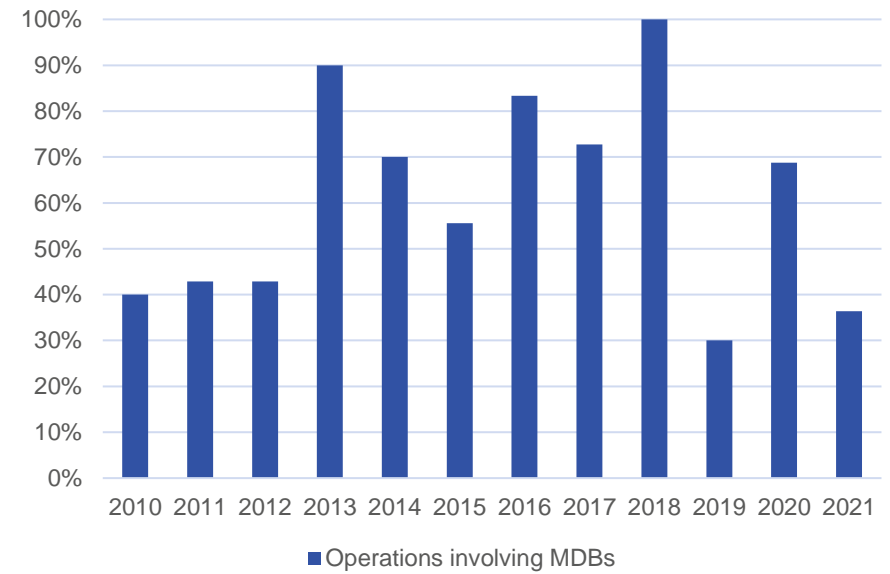
Source: Evaluation Division based on the corporate internal database

Figure 33: Number of operations involving co-financing from international financial institutions



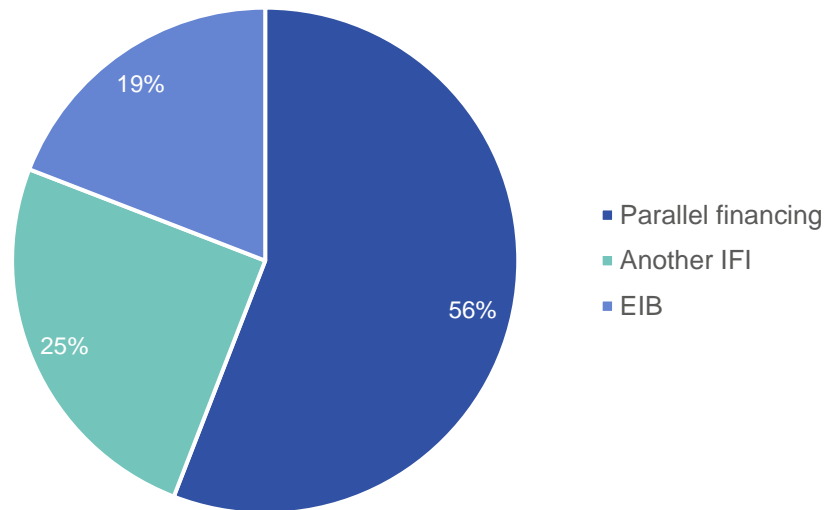
Source: Evaluation Division based on the corporate internal database

Figure 34: Proportion of operations co-financed with other international financial institutions (%)



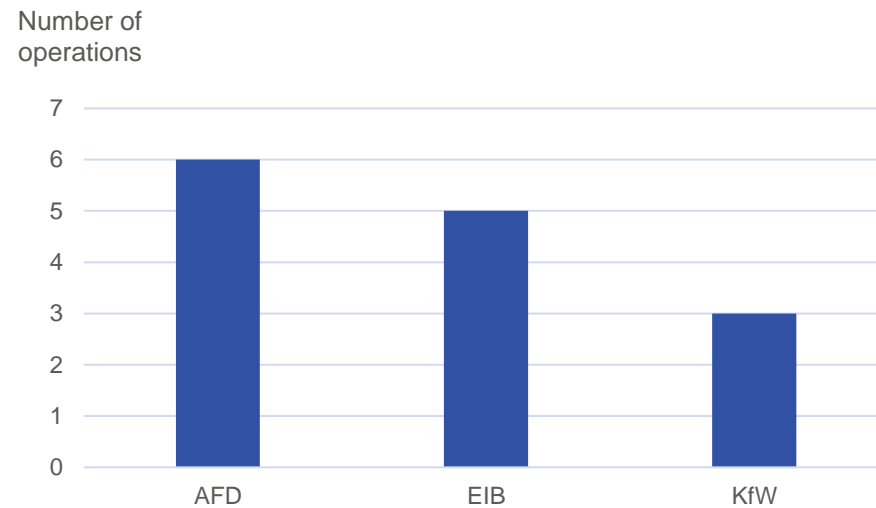
Source: Evaluation Division based on the corporate internal database

Figure 35: Distribution of co-financed operations by leading co-financier (%)



Source: Evaluation Division based on the corporate internal database

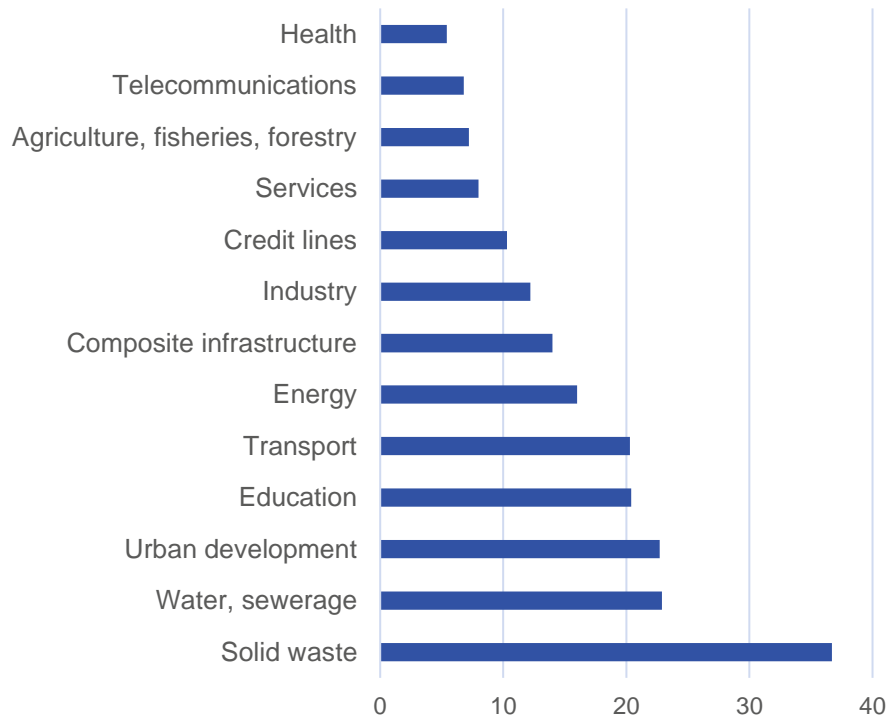
Figure 36: Number of co-financed operations by leading co-financier under the Mutual Reliance Initiative (MRI)



Source: Evaluation Division based on the corporate internal database

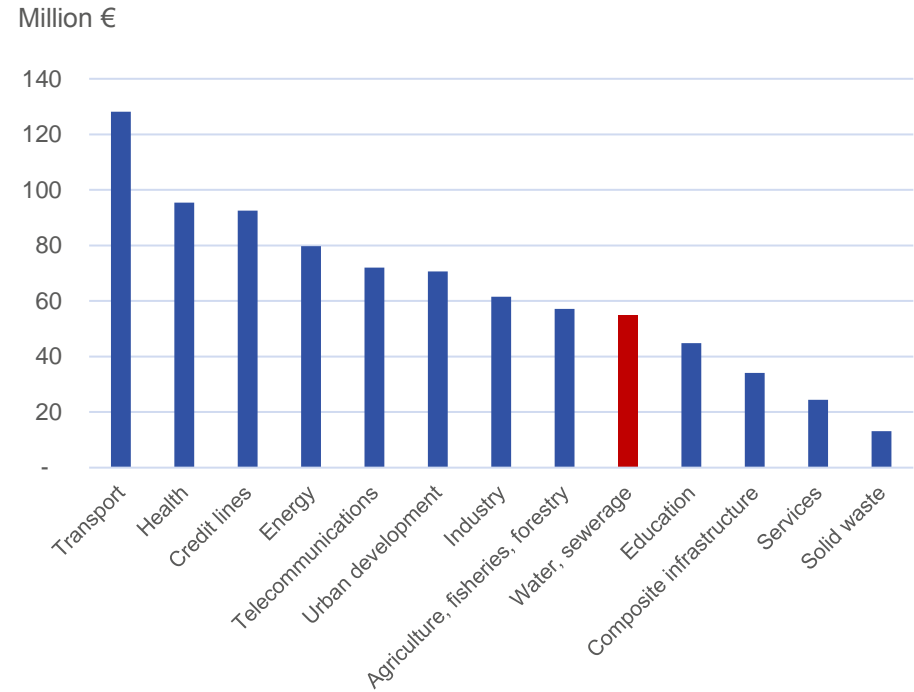
02 Disbursement analysis

Figure 37: Average number of months from signature to first disbursement, by sector



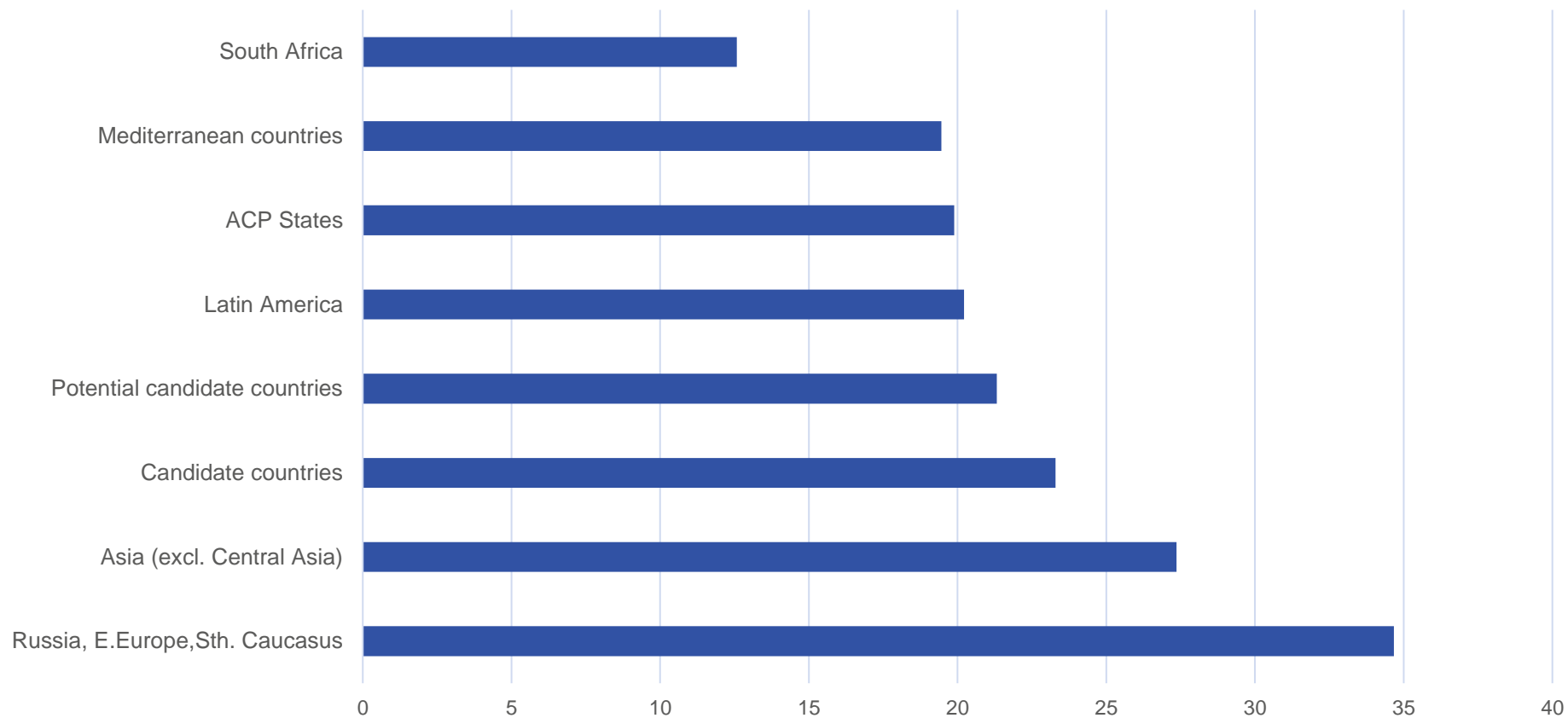
Source: Evaluation Division based on the corporate internal database

Figure 38: Average signed amount per operation, by sector (€ million)



Source: Evaluation Division based on the corporate internal database

Figure 39: Average number of months from signature to first disbursement, by region



Source: Evaluation Division based on the corporate internal database

Table 8: Operations by type of borrower

| Type of borrower | Number of months from signature to first disbursement | Number of operations signed before 2018 with no disbursement yet | Total number of operations with this type of borrower |
|------------------------------|---|--|---|
| Banks | 20.8 | 0 | 12 |
| Commercial companies | 5.5 | 1 | 3 |
| Other financial institutions | 3.8 | 0 | 4 |
| Other sovereign entities | 25.6 | 9 | 67 |
| Public administrations | 19.8 | 0 | 1 |
| Public sector entity | 20.4 | 0 | 11 |

Source: Evaluation Division based on the corporate internal database

Note: Only water sector operations

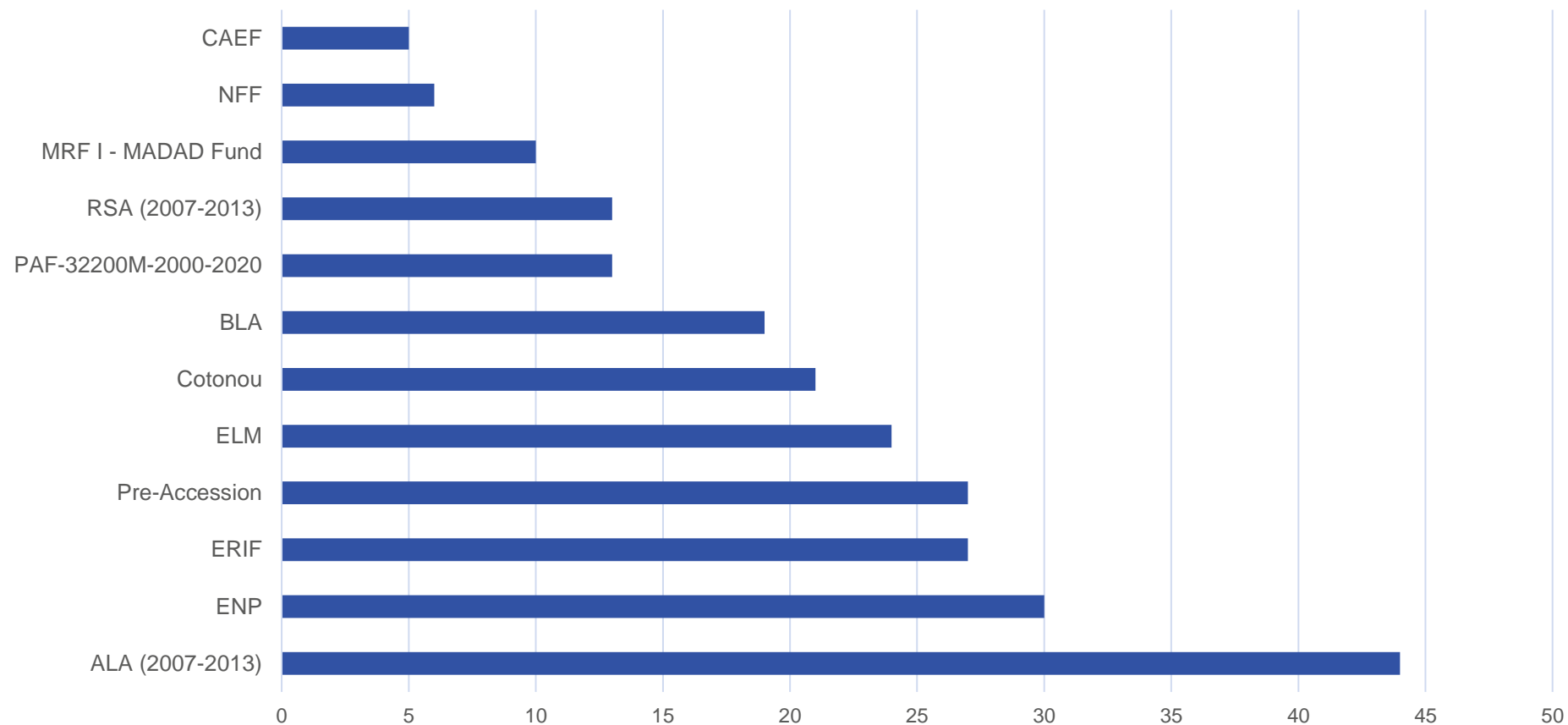
Table 9: Correlation of the speed of disbursement with the total project cost, volume/share of EIB funding or size of the contract

| Correlation between ... | Correlation coefficient | Number of observations |
|---|-------------------------|------------------------|
| ... the total project cost and the number of months from signature to first disbursement | 0.11 | 97 |
| ... the volume of EIB funding and the number of months from signature to first disbursement | 0.11 | 97 |
| ... the proportion of EIB funding in the total project cost and the number of months from signature to first disbursement | -0.04 | 97 |
| ... the size of the contract (net amount signed) and the number of months from signature to first disbursement | -0.03 | 135 |

Source: Evaluation Division based on the corporate internal database

Notes: Only water sector operations. The correlation coefficients represent the following categories: -1 to -0.5 , strong negative; -0.5 to -0.2 , weak negative; -0.2 to 0.2 , no correlation; 0.2 to 0.5 , weak positive; 0.5 to 1 , strong positive.

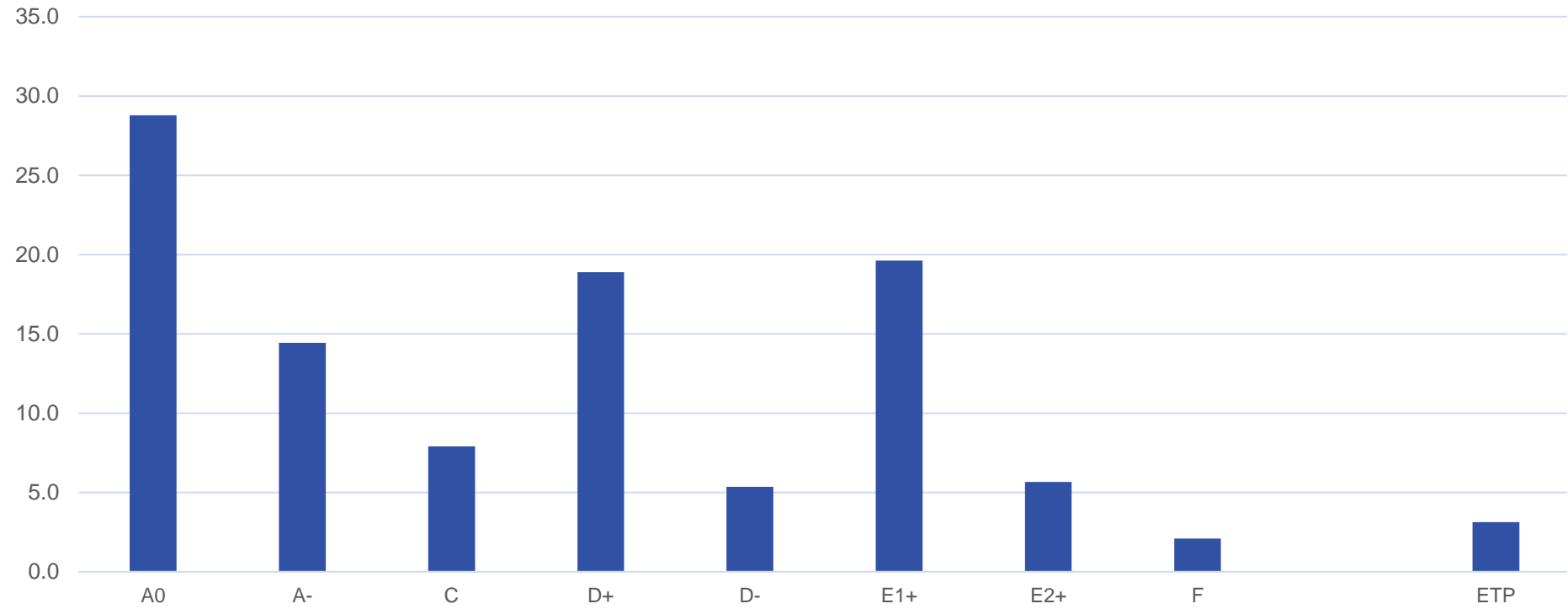
Figure 40: Average number of months from signature to first disbursement, by mandate



Source: Evaluation Division based on the corporate internal database

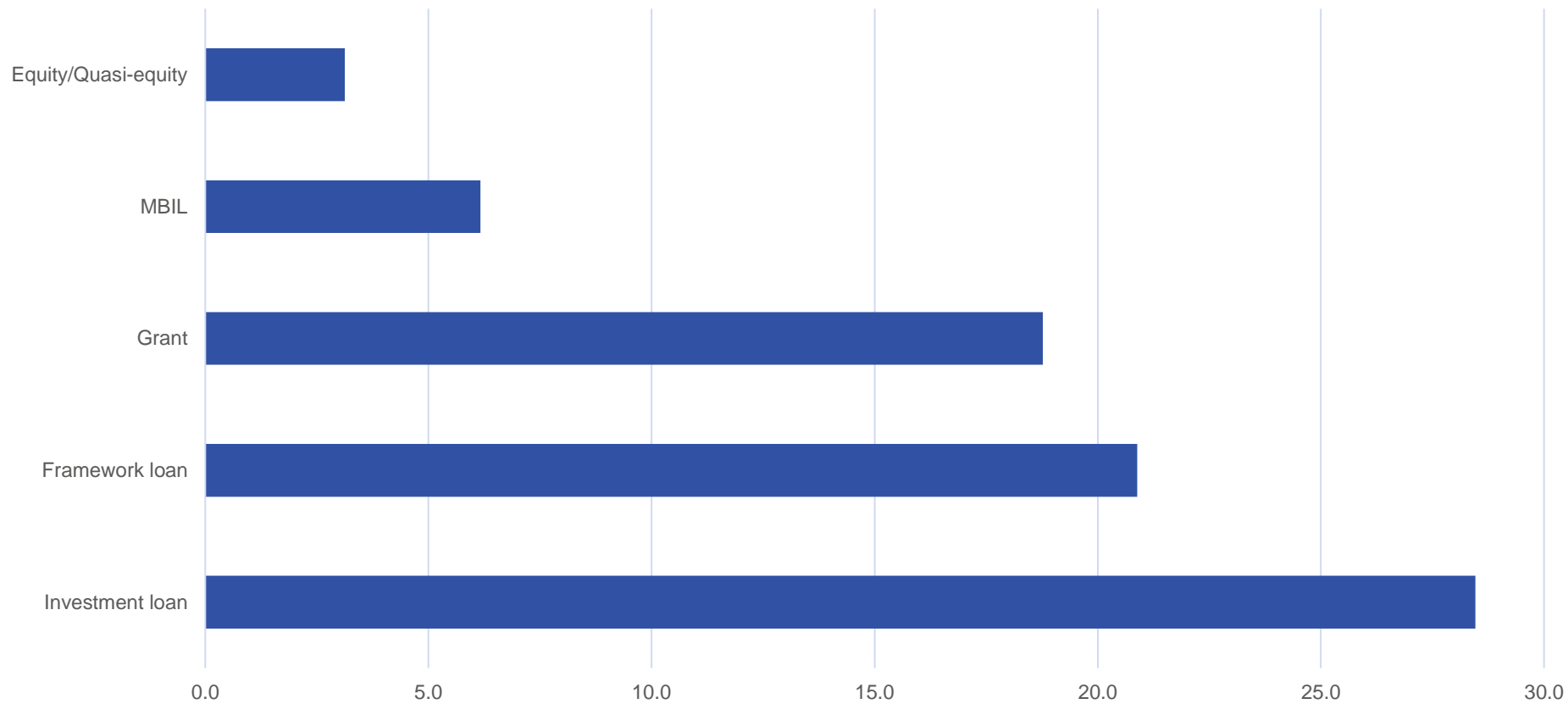
Notes: CAEF: Climate Action and Environmental Facility; NFF: Neighbourhood Financing Facility; MRF - MADAD: Municipal Resilience Facility – Madad fund; RSA: Republic of South Africa; PAF: Pre-Accession Facility; BLA: Bilateral Agreement; ELM: External Lending Mandate; ERIF: Economic Resilience Initiative Fund; ENP: European Neighbourhood Policy; ALA: Asia and Latin America

Figure 41: Average number of months from signature to first disbursement, by loan grade



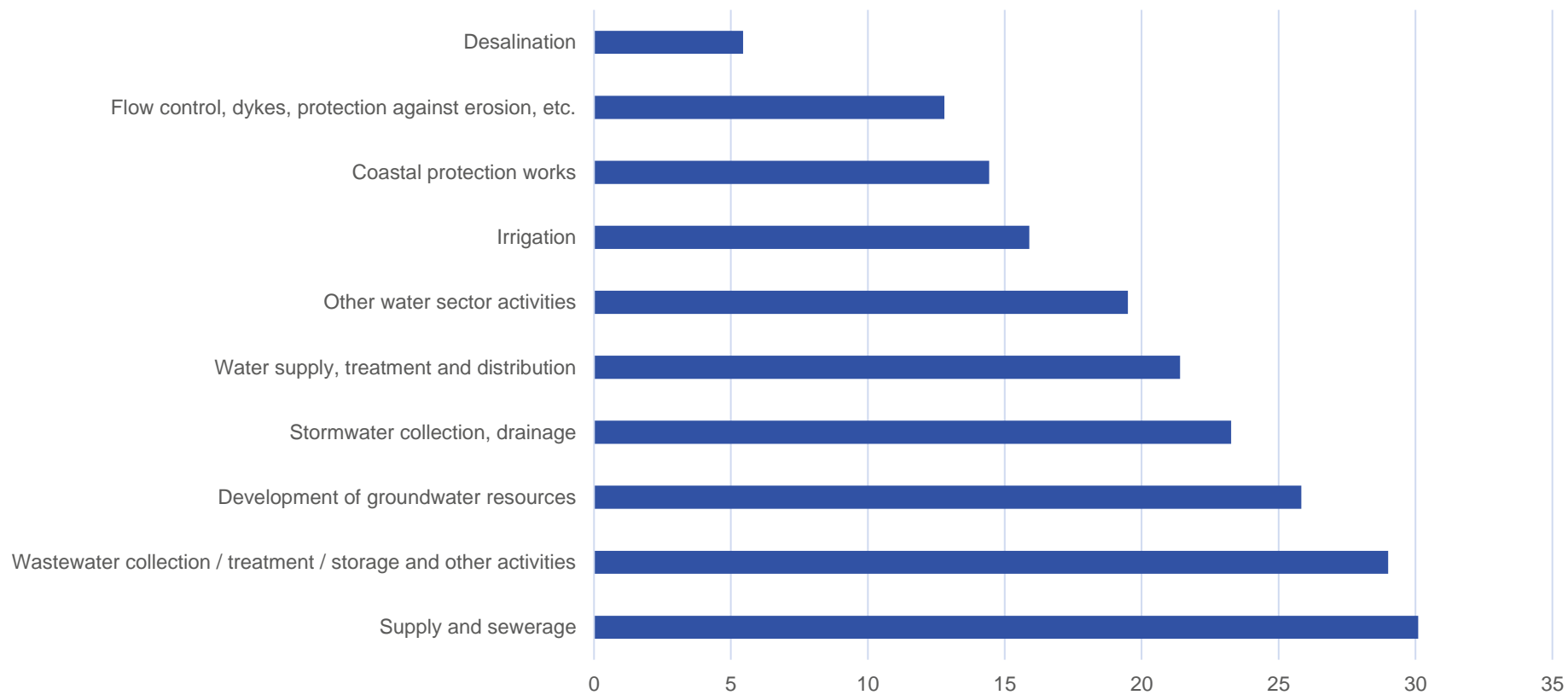
Source: Evaluation Division based on the corporate internal database

Figure 42: Average number of months from signature to first disbursement, by product



Source: Evaluation Division based on the corporate internal database

Figure 43: Average number of months from signature to first disbursement, by activity



Source: Evaluation Division based on the corporate internal database

Figure 44: Number of operations co-financed by other International financial institutions in the water sector outside the European Union (2010-2021)



Source: Evaluation Division based on the corporate internal database

Table 10: Disbursement speed for operations co-financed by selected international financial institutions

| Institution | Number of months from EIB signature to EIB first disbursement | Number of operations signed before 2018 with no disbursement yet | Total number of operations with the international financial institution |
|---|---|--|---|
| Agence Française de Développement | 23.8 | 3 | 29 |
| EBRD | 26.8 | 1 | 13 |
| Kreditanstalt für Wiederaufbau | 30.5 | 1 | 10 |
| African Development Bank | 24.4 | 2 | 9 |
| International Bank for Reconstruction and Development | 23.6 | 0 | 9 |
| Asian Development Bank | 31.0 | 2 | 8 |
| International Development Association | 19.5 | 0 | 6 |

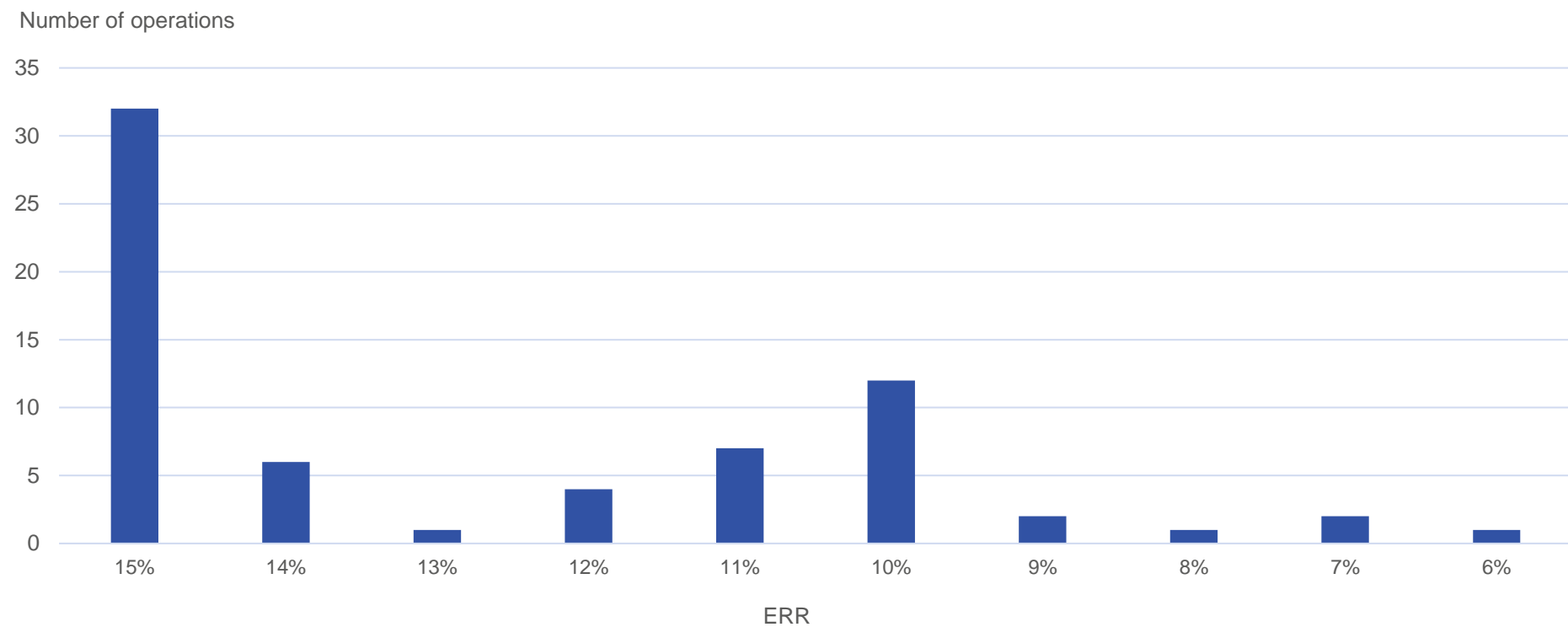
Source: Evaluation Division based on the corporate internal database

Note: Only EIB co-financed operations are considered

03

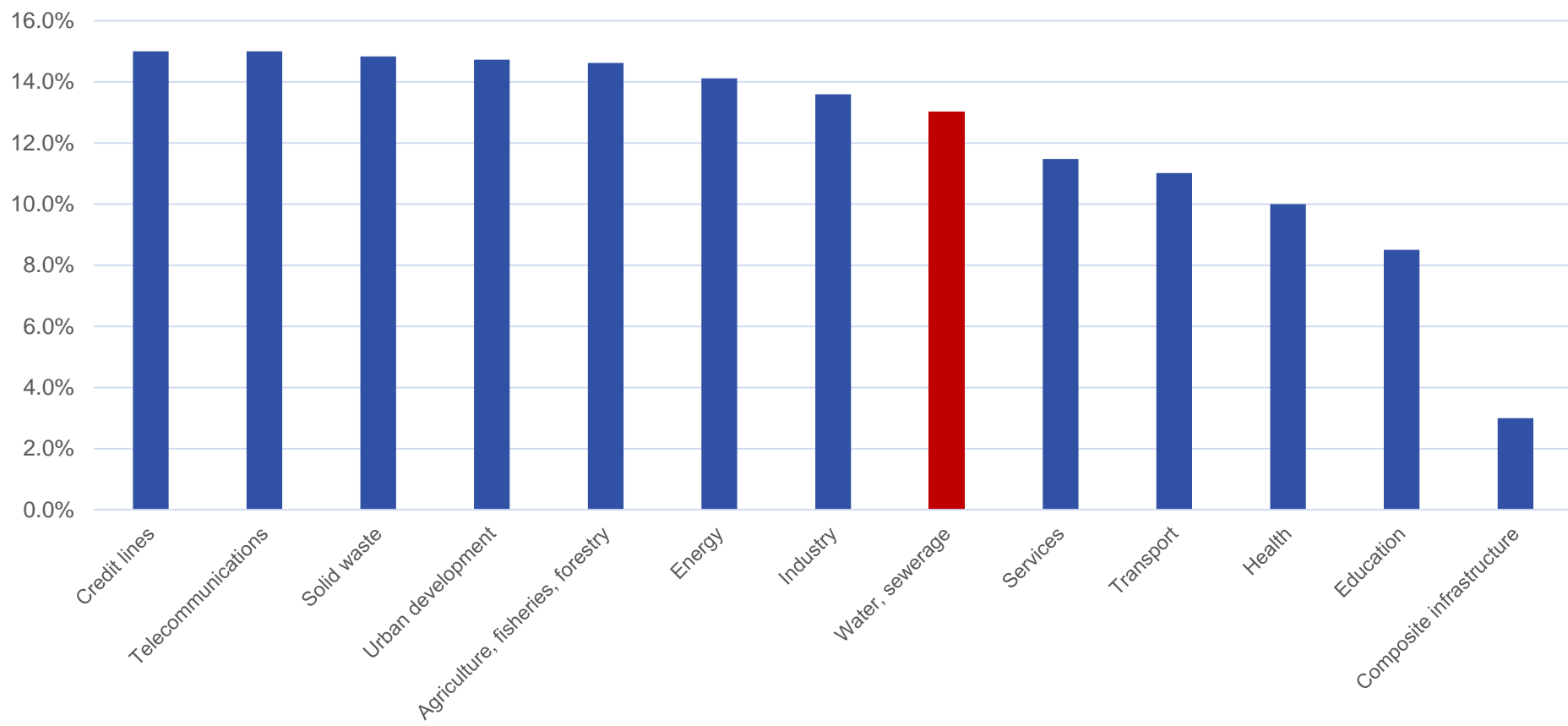
Sustainability
and
development
analysis

Figure 45: Distribution of water sector operations outside the European Union by economic rate of return (ERR), 2010-2021



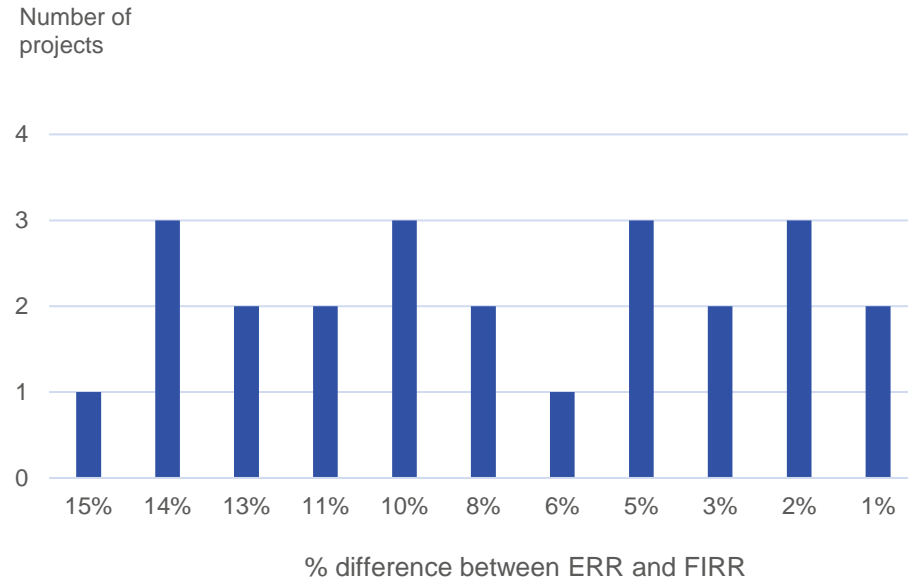
Source: Evaluation Division based on the corporate internal database, ERR at appraisal
Notes: The ERR at appraisal was used; an ERR >15% was considered as 15%. Based on 68 observations

Figure 46: Average economic rate of return by sector for EIB operations outside the European Union (2010-2021)



Source: Evaluation Division based on the corporate internal database, ERR at appraisal
 Note: ERRs at appraisal >15% were considered as 15%

Figure 47: Distribution of differences between economic rate of return and financial internal rate of return



Source: Evaluation Division based on the corporate internal database
 Notes: ERRs and FIRRs at appraisal. Based on 24 observations; average 8% and standard deviation 4.7%

Figure 48: Economic rate of return and financial internal rate of return



Source: Evaluation Division based on the corporate internal database
 Notes: ERRs and FIRRs at appraisal >15% were considered as 15%. ERRs: average 13% and standard deviation 2.6%. FIRRs: average 5% and standard deviation 4.1%

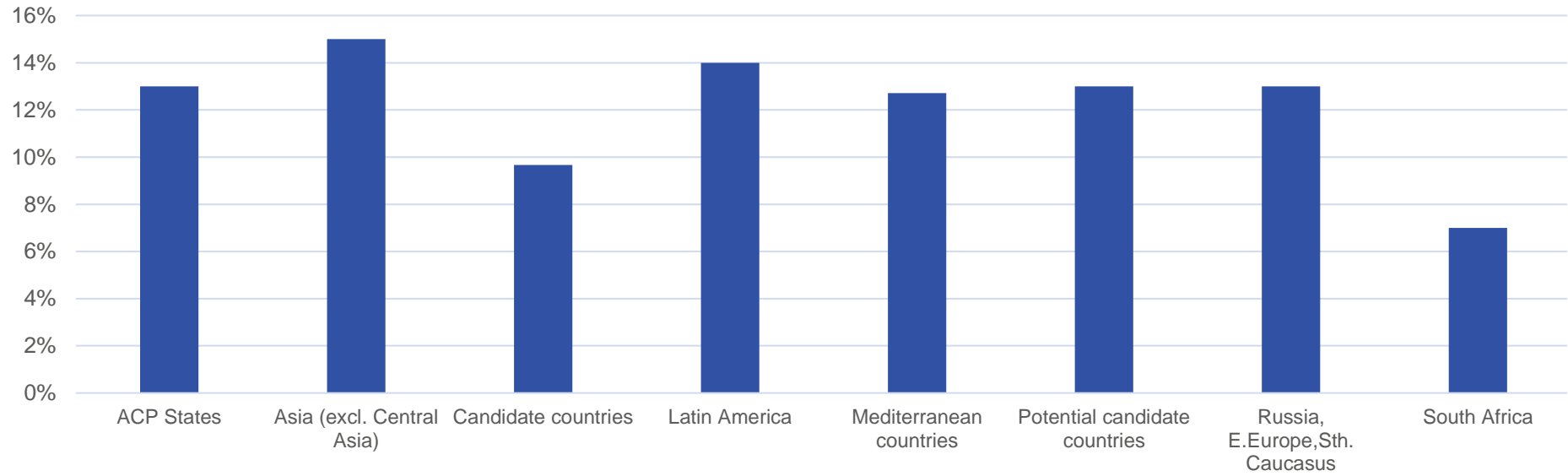
Table 11: Economic rate of return and financial internal rate of return at appraisal

| Number of projects | Project ERR (appraisal) | Project FIRR (appraisal) | Hierarchy |
|--------------------|-------------------------|--------------------------|------------|
| 1 | Very good | Fair | ERR higher |
| 1 | Very good | Good | ERR higher |
| 2 | Very good | Very good | Equal |
| 1 | Very good | Negative | ERR higher |
| 1 | Good | Fair | ERR higher |
| 1 | Good | Negative | ERR higher |
| 1 | Good | Good | Equal |

Source: Evaluation Division based on the corporate internal database

Note: Based on eight observations

Figure 49: Average economic rate of return by region

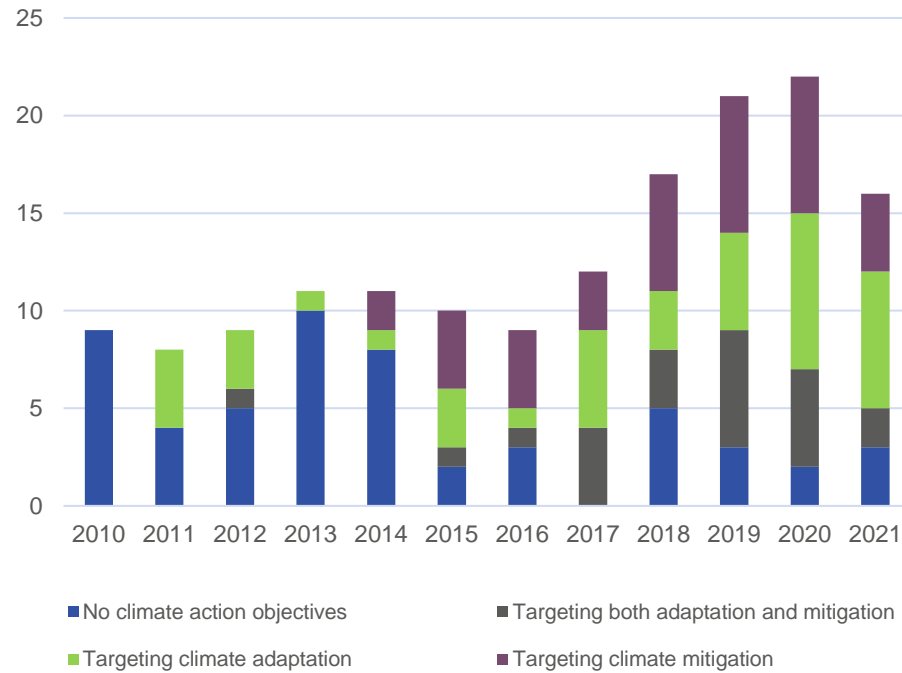


Source: Evaluation Division based on the corporate internal database

Notes: ERRs at appraisal. Based on 65 observations

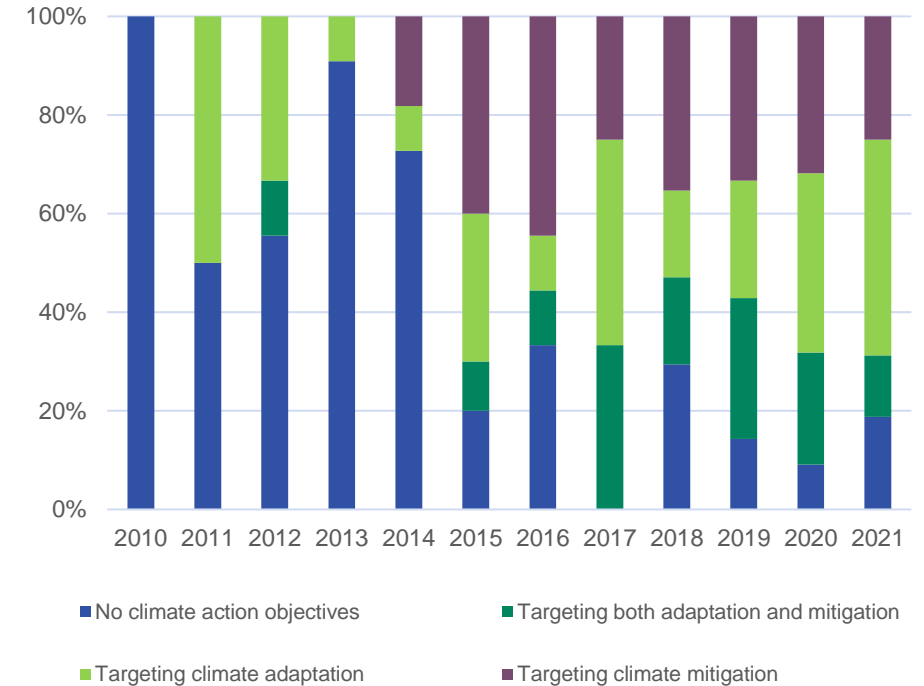
04 Climate Action

Figure 50: Number of operations with climate action objectives



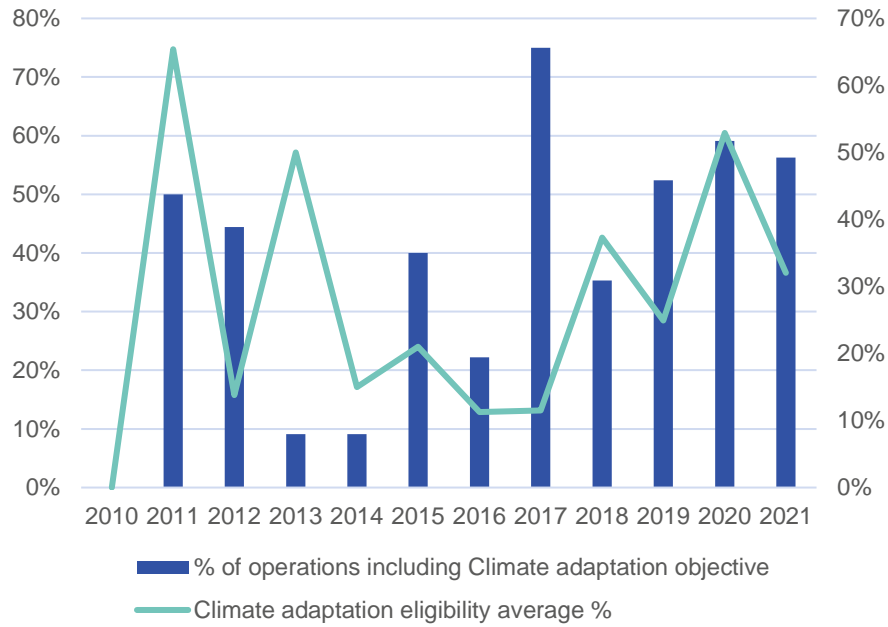
Source: Evaluation Division based on the corporate internal database
 Notes: Based on "Eligibility level 3" variable (the same operation can have more than one eligibility). In 2021, 10 operations also addressed environmental sustainability

Figure 51: Proportion of operations with climate action objectives (%)



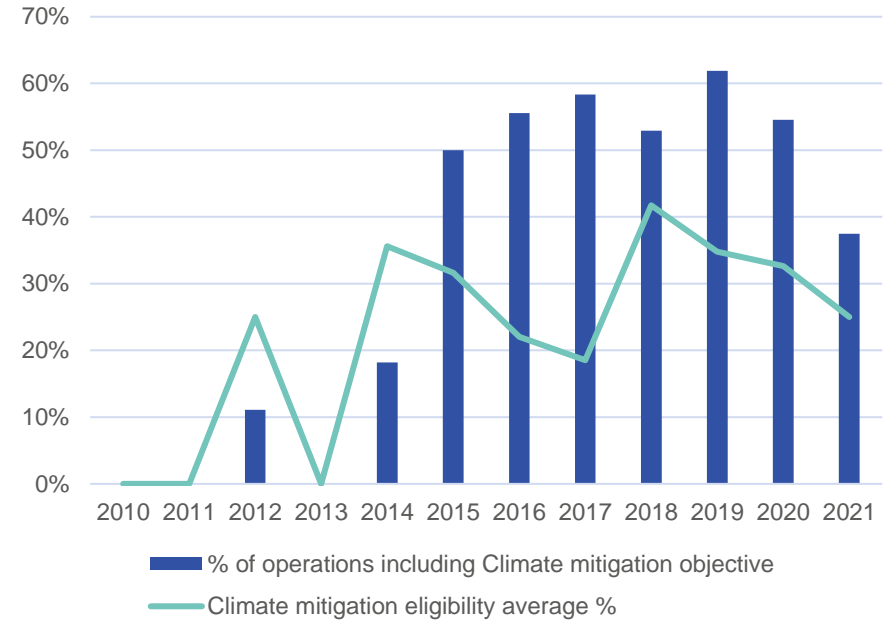
Source: Evaluation Division based on the corporate internal database
 Notes: Based on "Eligibility level 3" variable (the same operation can have more than one eligibility)

Figure 52: Climate adaptation — % of operations and % eligibility



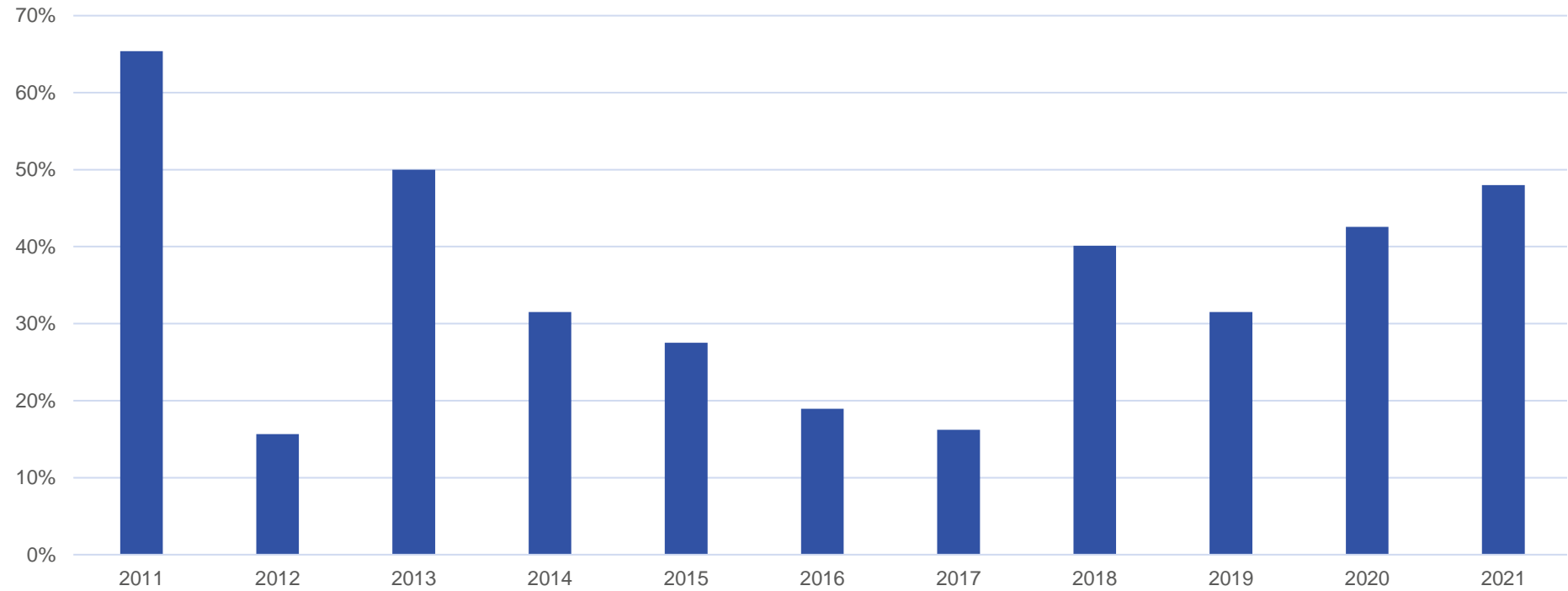
Source: Evaluation Division based on the corporate internal database
 Note: Based on "Eligibility level 3" variable

Figure 53: Climate mitigation — % of operations and % eligibility



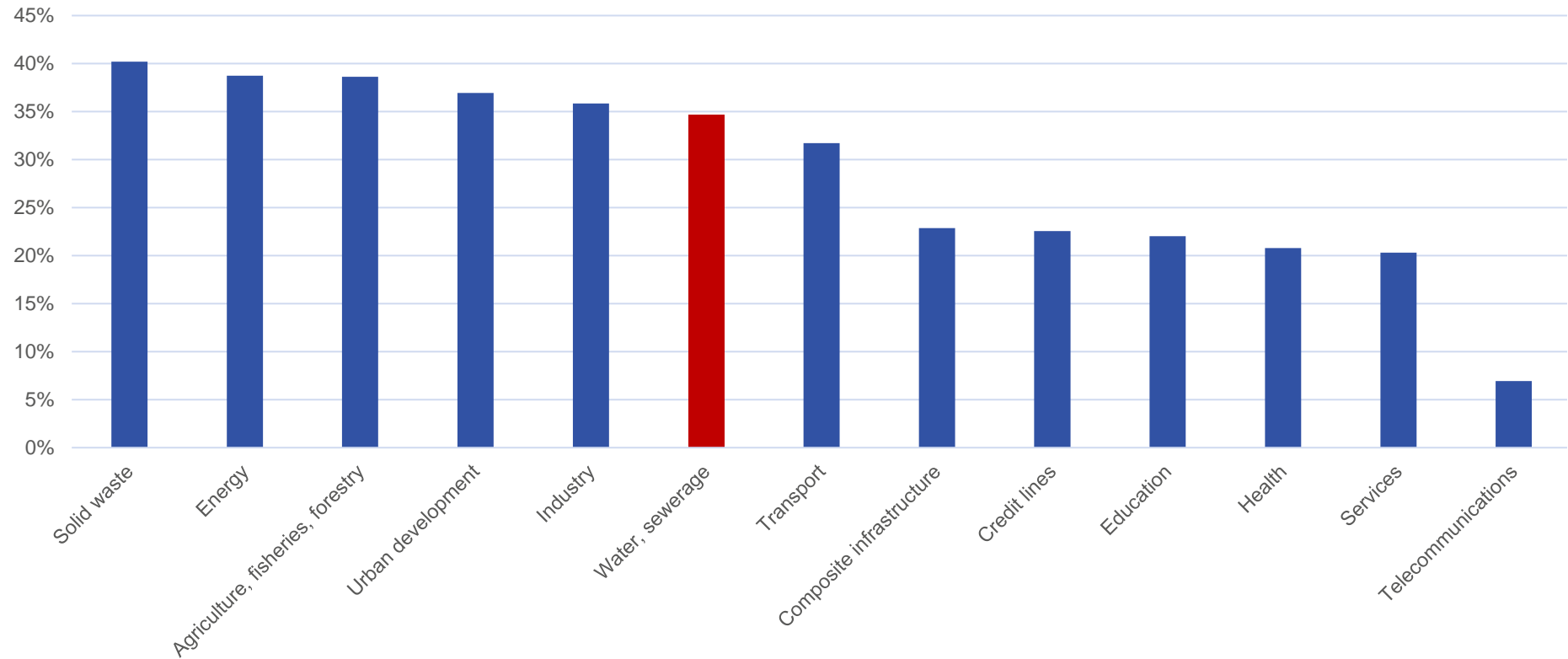
Source: Evaluation Division based on the corporate internal database
 Note: Based on "Eligibility level 3" variable

Figure 54: Average eligibility percentage for climate action / environmental sustainability objectives (%)



Source: Evaluation Division based on the corporate internal database
Notes: Based on "Eligibility level 3" variable (the same operation can have more than one eligibility)

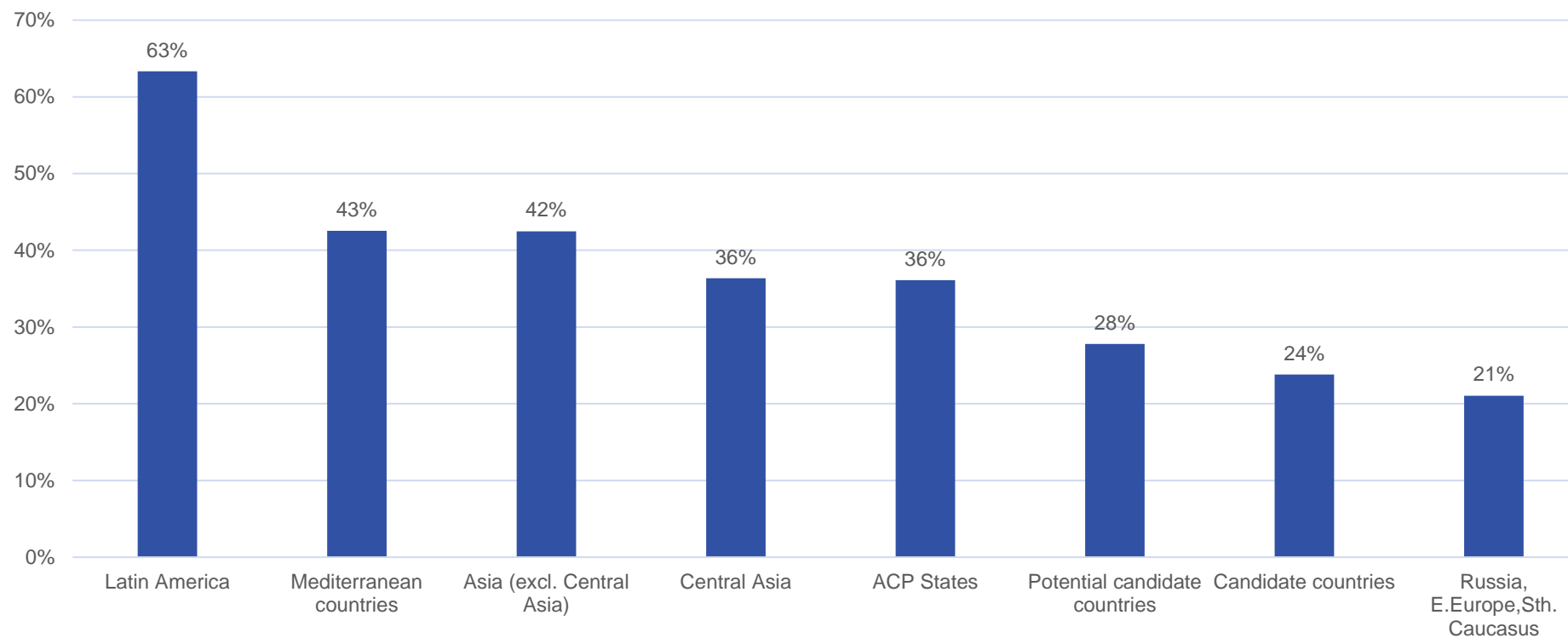
Figure 55: Proportion of operations addressing climate action objectives by sector (%)



Source: Evaluation Division based on the corporate internal database

Notes: Based on "Eligibility level 3" variable (the same operation can have more than one eligibility)

Figure 56: Proportion of operations addressing climate action objectives in the total number of operations, by region (2010-2021)



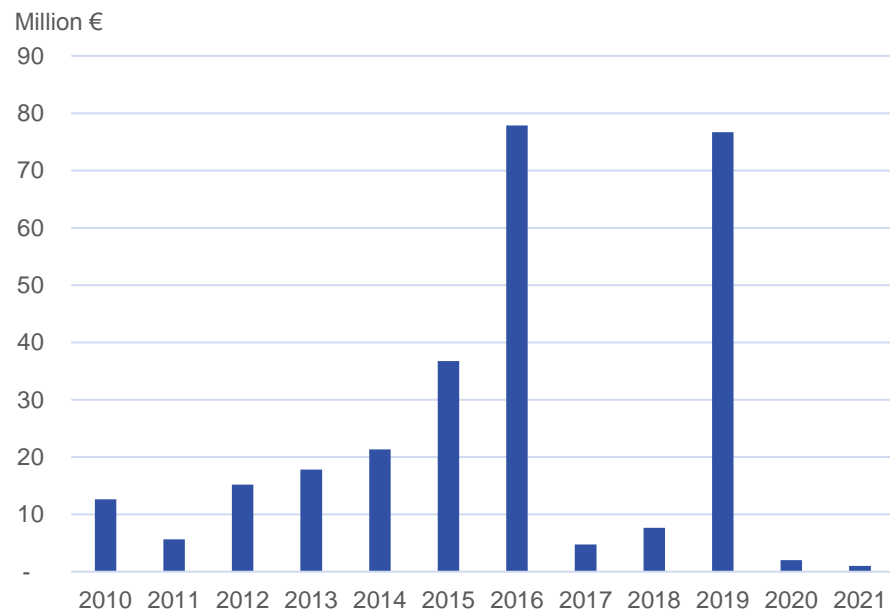
Source: Evaluation Division based on the corporate internal database

Notes: The figure for each region is the proportion of operations addressing the climate action/environmental sustainability objectives out of the total number of operations in the region. The same operation can have more than one eligibility

05

Advisory
services
analysis

Figure 57: Approved amount, by year (€ million)



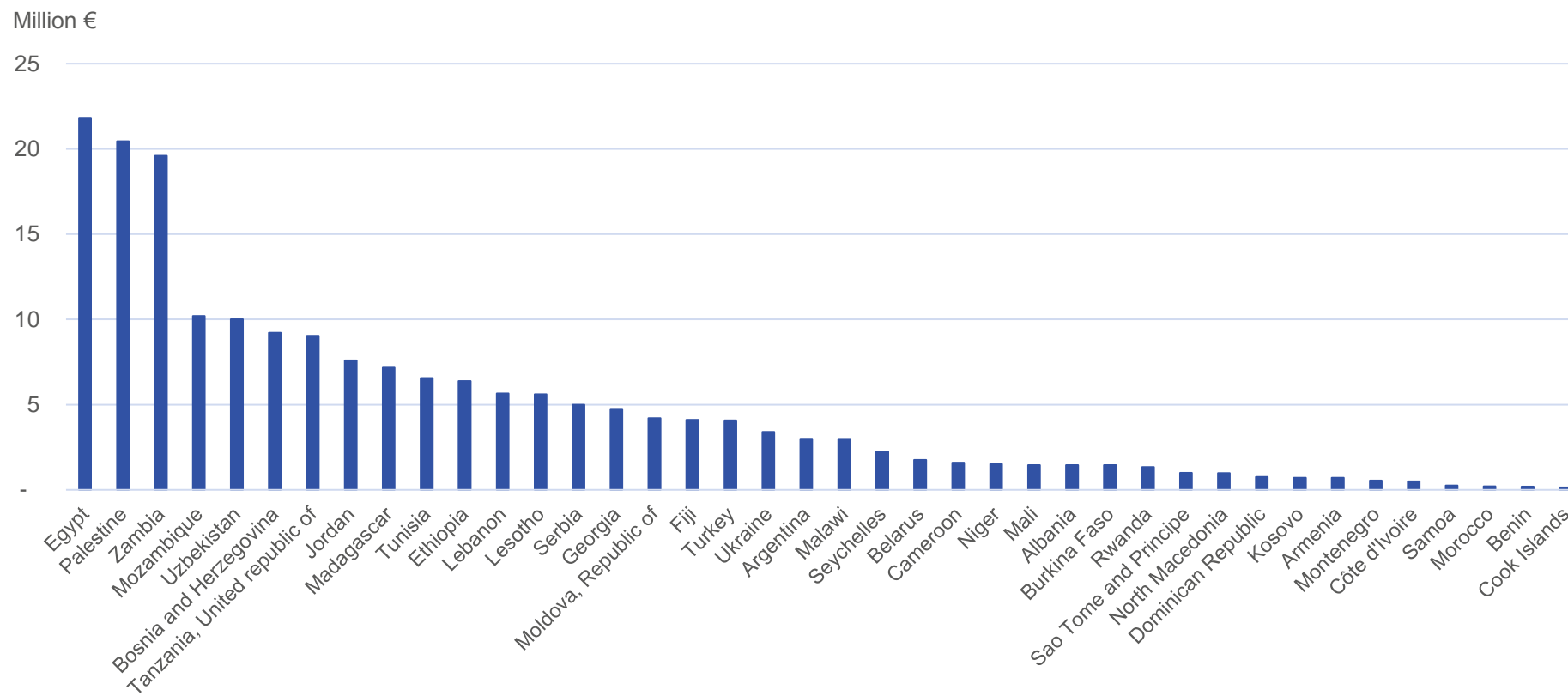
Source: Evaluation Division based on the corporate internal database

Table 12: Advisory services upstream in the water sector outside the European Union (2010-2021)

| | |
|---|-------------|
| Number of assignments | 276 |
| Total amount approved (€ million) | 442 |
| Average amount per assignment (€ million) | 36.9 |

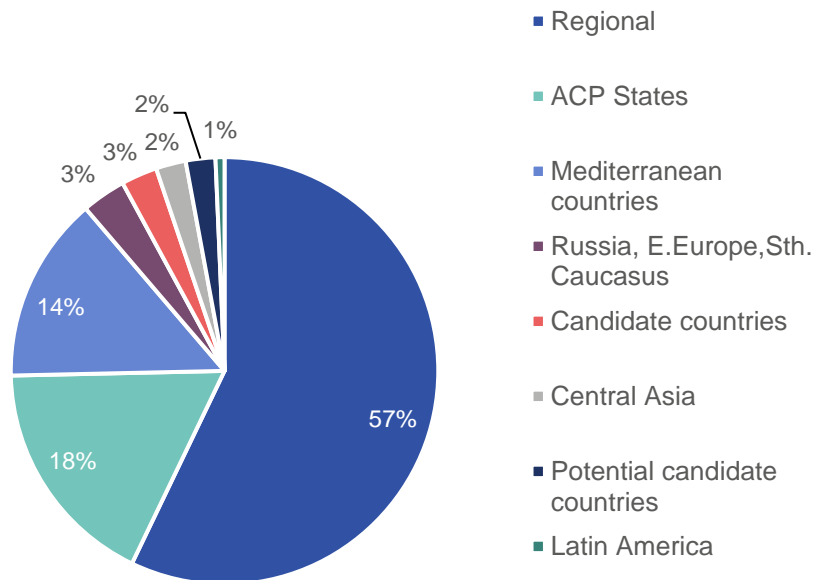
Source: Evaluation Division based on the corporate internal database

Figure 58: Amount approved, by country (€ million)



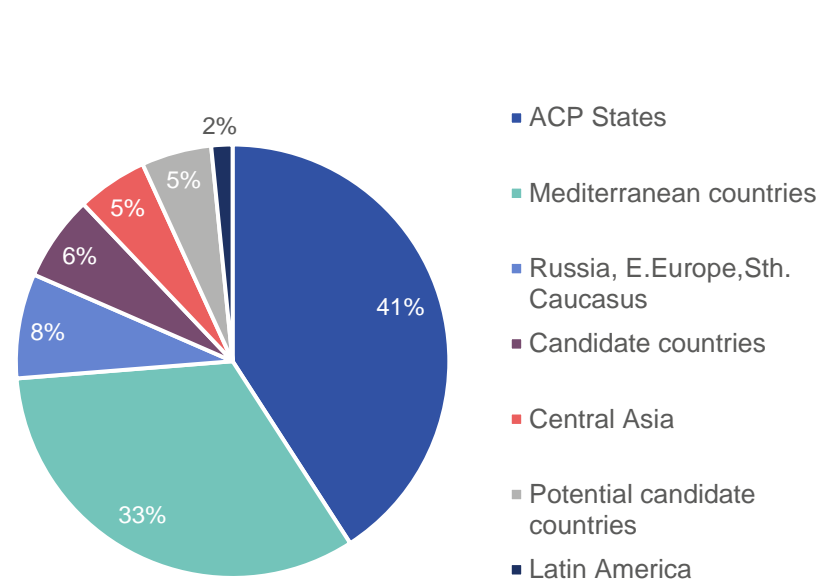
Source: Evaluation Division based on the corporate internal database

Figure 59: Volume approved, by region (including regional, %)



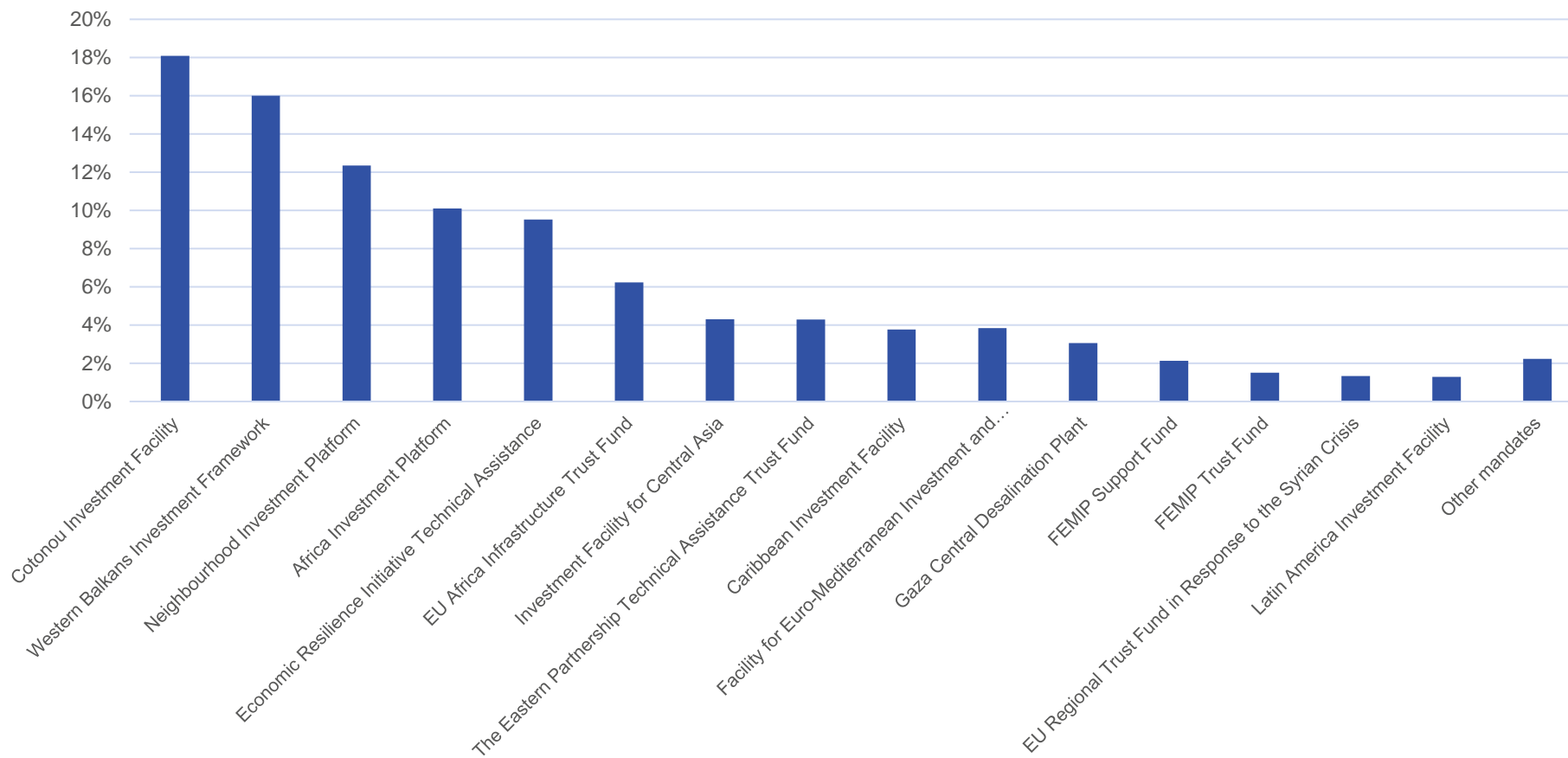
Source: Evaluation Division based on the corporate internal database

Figure 60: Volume approved, by region (%)



Source: Evaluation Division based on the corporate internal database

Figure 61: Distribution of the amount approved, by mandate (%)

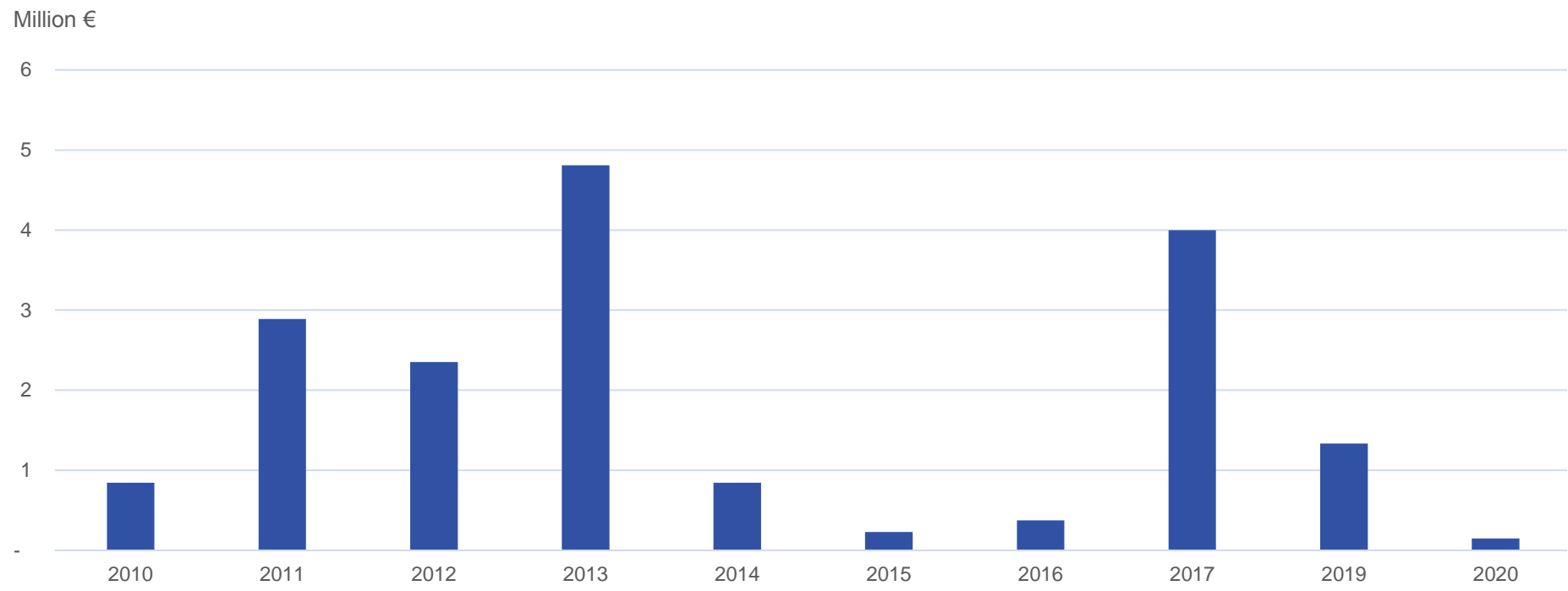


Source: Evaluation Division portfolio review

06

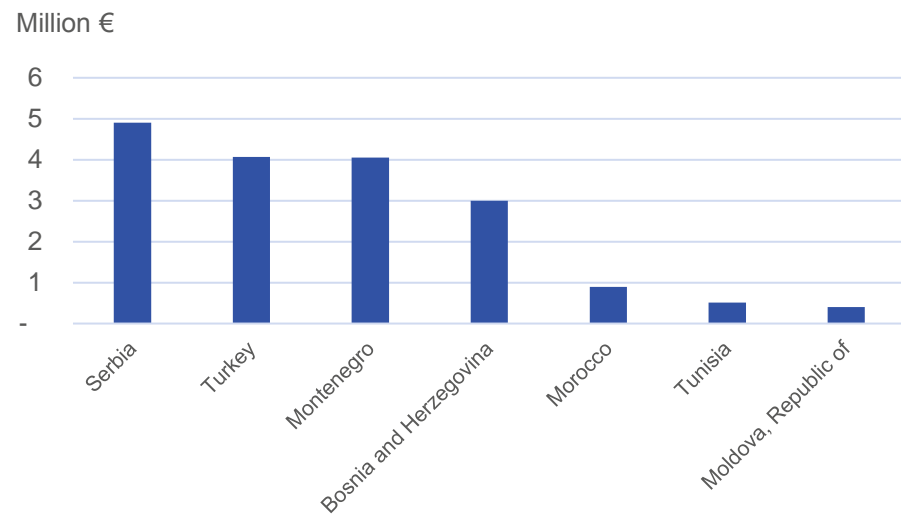
**Multi-
Beneficiary
Loan –
allocations
(Credit lines)**

Figure 62: Amount allocated by year (€ million)



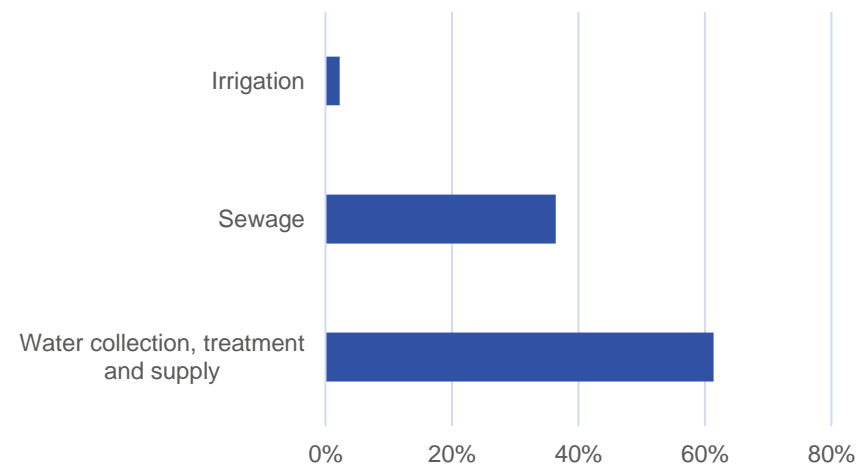
Source: Evaluation Division based on the corporate internal data

Figure 63: Volume allocated, by country (€ million)



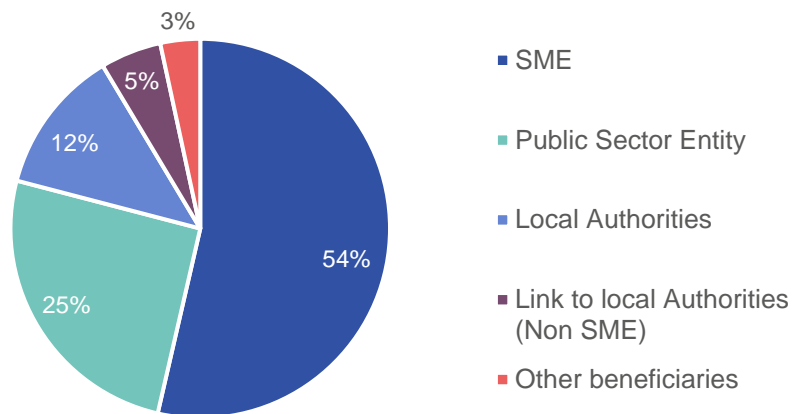
Source: Evaluation Division based on the corporate internal data

Figure 64: Volume allocated, by activity (% of total)



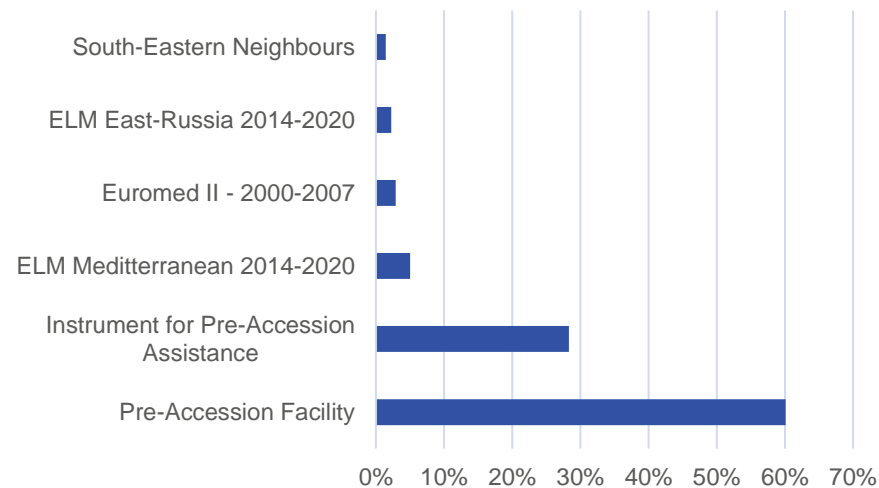
Source: Evaluation Division based on the corporate internal data

Figure 65: Allocated amount by type of final beneficiary (%)



Source: Evaluation Division based on the corporate internal data

Figure 66: Allocated amount by mandate (%)



Source: Evaluation Division based on the corporate internal data

ANNEX 4. EIB STAFF SURVEY ANALYSIS

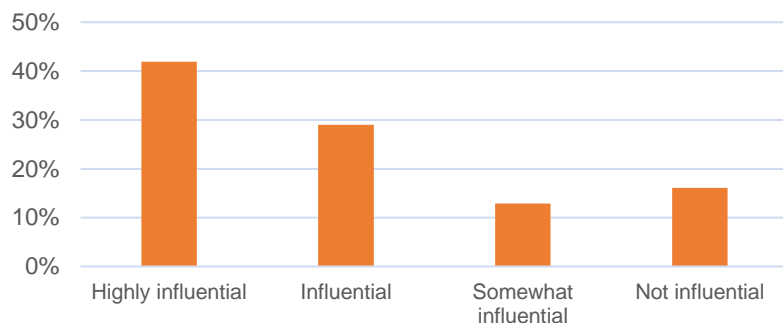
A survey of staff from the EIB Project Directorate and Operations Directorate/ EIB Global involved in water sector operations was conducted as part of this evaluation. In total, the questionnaire was sent to 83 respondents selected on the basis of their involvement in the appraisal of operations (including managerial staff).

The questionnaire comprised 12 multiple-choice questions and several open questions.

The survey was launched through the EUSurvey platform and was open between 13 July and 16 September 2022.

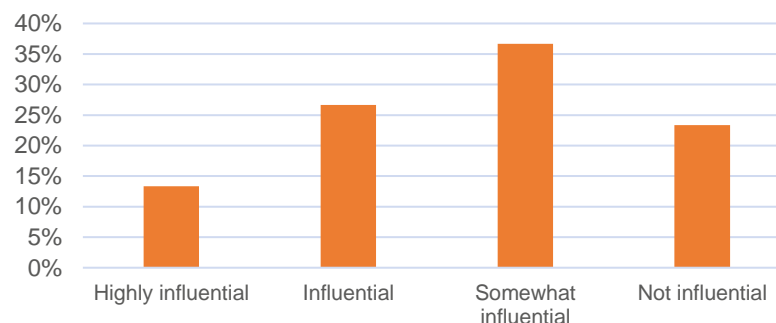
In total, 36 people took part in the survey (43% response rate). 61% of those who responded to the questionnaire represented the EIB Operations Directorate/EIB Global; the remaining 39% represented the Projects Directorate.

Figure 67: Extent to which an institutionally weak water sector was perceived as influential in causing disbursement delays (%)



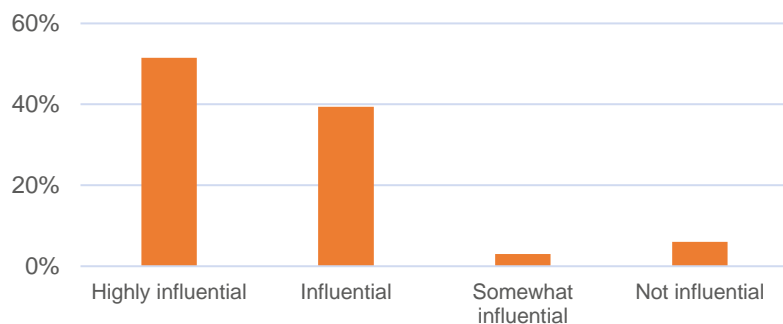
Source: Survey of EIB staff

Figure 68: Extent to which political interference was perceived as influential in causing disbursement delays (%)



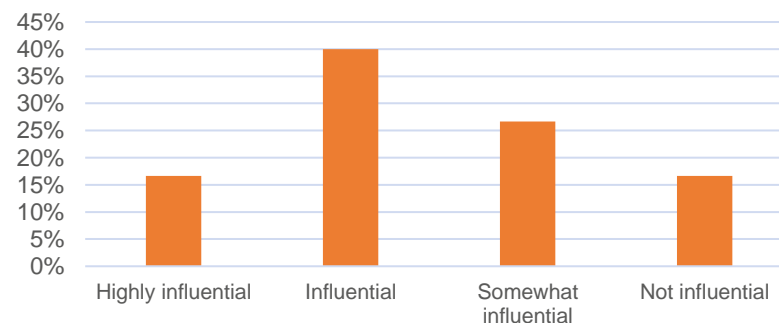
Source: Survey of EIB staff

Figure 69: Extent to which low promoter capacity was perceived as influential in causing disbursement delays (%)



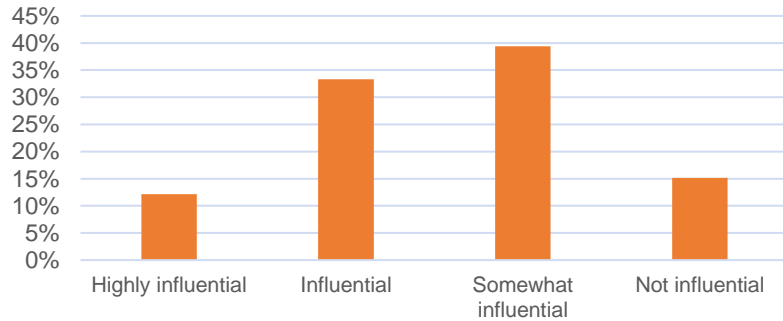
Source: Survey of EIB staff

Figure 70: Extent to which PMU staff turnover was perceived as influential in causing disbursement delays (%)



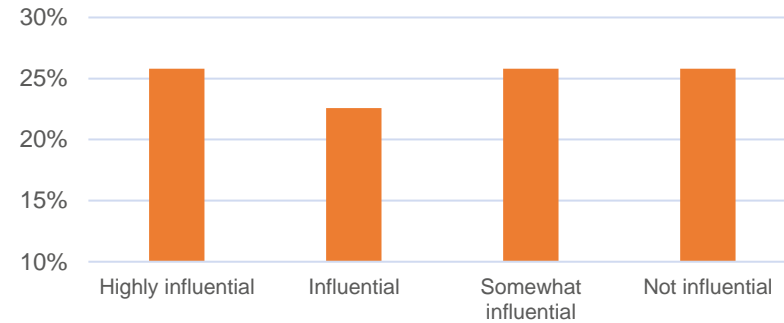
Source: Survey of EIB staff

Figure 71: Extent to which technical assistance for PMUs not being effective was perceived as influential in causing disbursement delays (%)



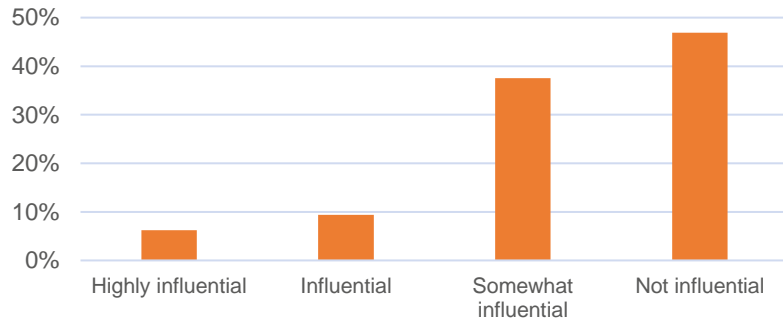
Source: Survey of EIB staff

Figure 72: Extent to which complex national procedures for procurement were perceived as influential in causing disbursement delays (%)



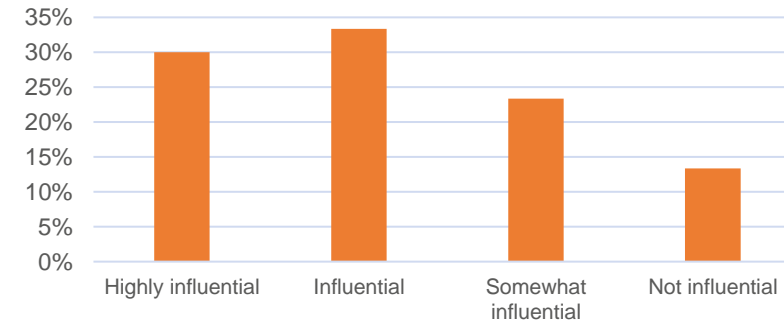
Source: Survey of EIB staff

Figure 73: Extent to which other international financial institutions/donors were perceived as influential in causing disbursement delays (%)



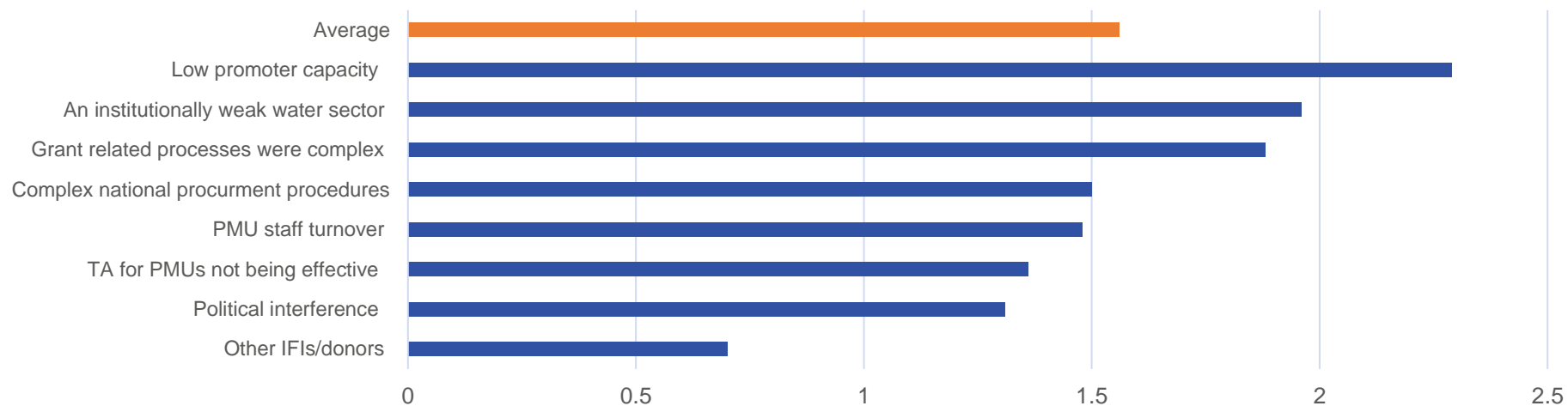
Source: Survey of EIB staff

Figure 74: Extent to which grant-related processes were perceived as complex and influential in causing disbursement delays (%)



Source: Survey of EIB staff

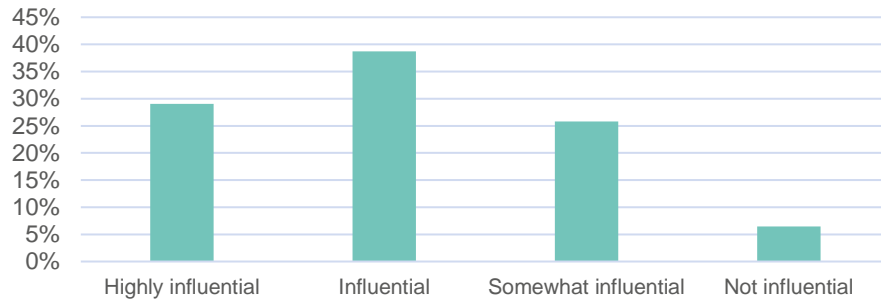
Figure 75: Ranking of external factors perceived as influencing disbursement delays



Source: Survey of EIB staff

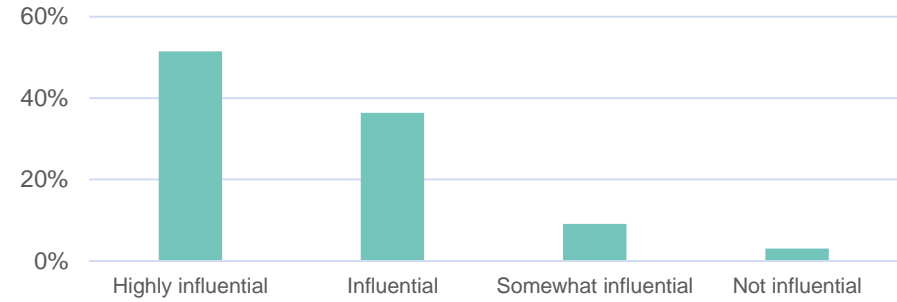
Note: The influence of the external factors was ranked from 0 (not influential) to 3 (highly influential)

Figure 76: Extent to which EIB environmental and social impact procedures were perceived as influential in causing disbursement delays (%)



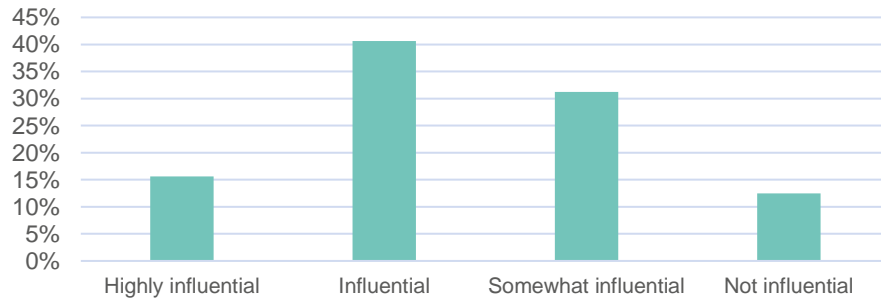
Source: Survey of EIB staff

Figure 77: Extent to which EIB procurement procedures were perceived as influential in causing disbursement delays (%)



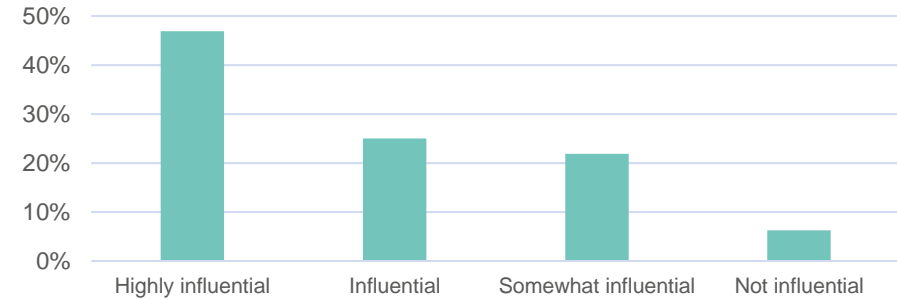
Source: Survey of EIB staff

Figure 78: Extent to which a delayed response from the EIB to client questions was perceived as influential in causing disbursement delays (%)



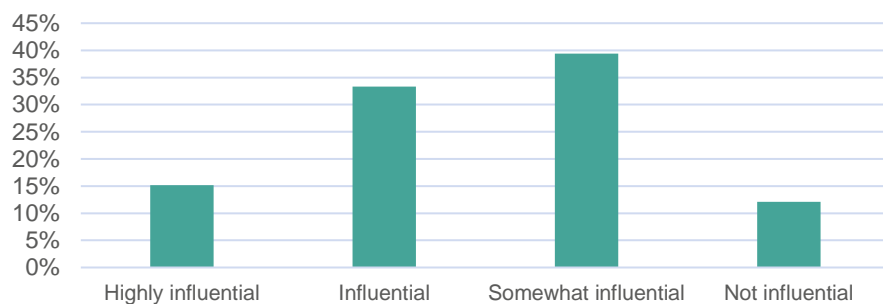
Source: Survey of EIB staff

Figure 79: Extent to which project readiness was perceived as influential in causing disbursement delays (%)



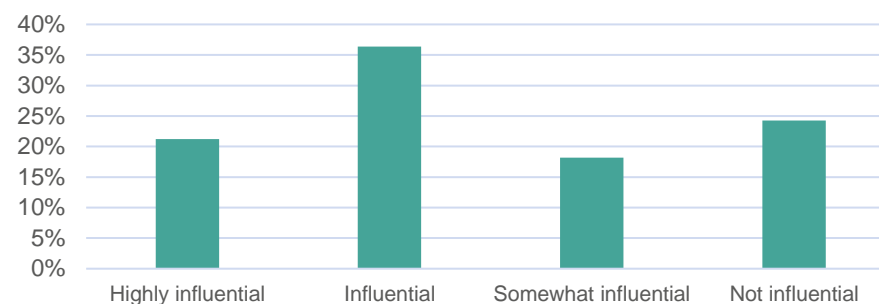
Source: Survey of EIB staff

Figure 80: Extent to which unrealistic preconditions were perceived as influential in causing disbursement delays (%)



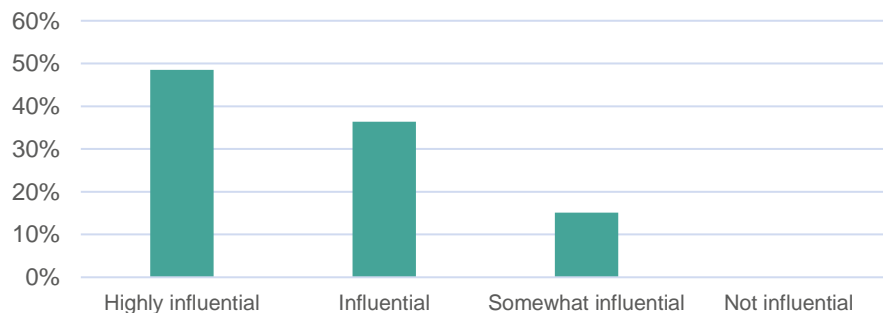
Source: Survey of EIB staff

Figure 81: Extent to which preconditions that were difficult to understand by promoters were perceived as influential in causing on disbursement delays (%)



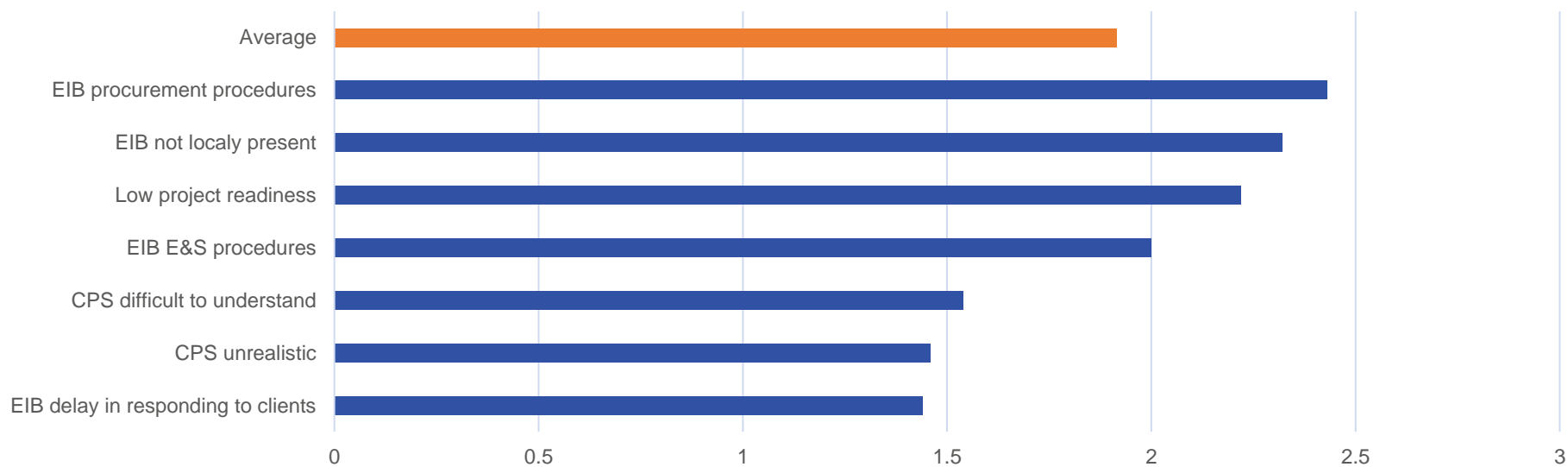
Source: Survey of EIB staff

Figure 82: Extent to which the EIB not being present locally to help with the design and implementation of the project was perceived as influential in causing disbursement delays (%)



Source: Survey of EIB staff

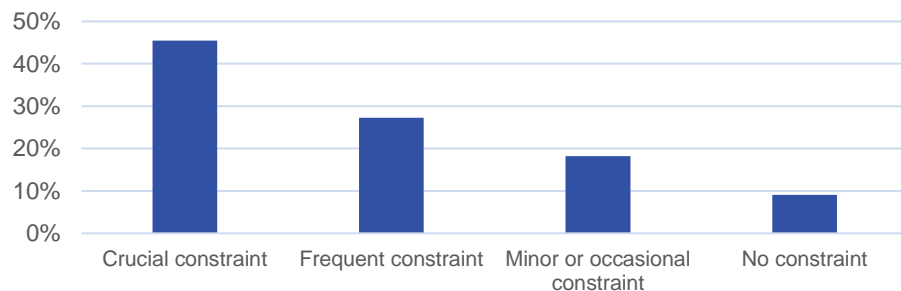
Figure 83: Ranking of internal factors perceived as influencing disbursement delays



Source: Survey of EIB staff

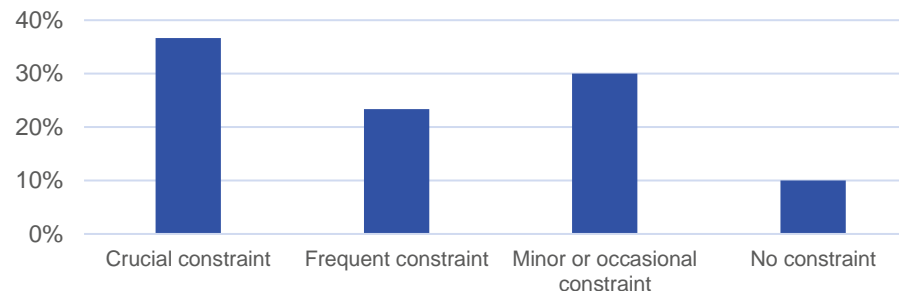
Note: The influence of the internal factors was ranked from 0 (not influential) to 3 (highly influential)

Figure 84: Extent to which the level of local EIB presence was perceived as a constraint in effectively carrying out the EIB role? (%)



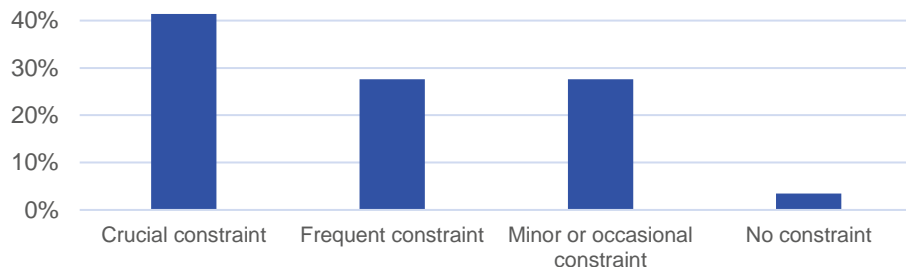
Source: Survey of EIB staff

Figure 85: Extent to which a lack of a local EIB presence was perceived as a constraint in minimising delays between signature and first disbursement (%)



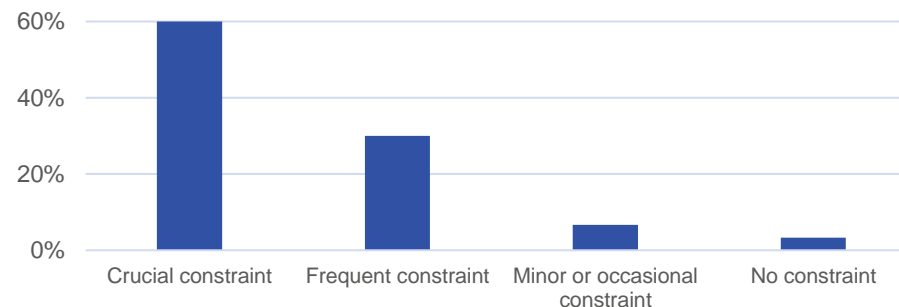
Source: Survey of EIB staff

Figure 86: Extent to which a lack of a local EIB presence was perceived as a constraint in minimising disbursement delays of an operational nature once the loan was effective (%)



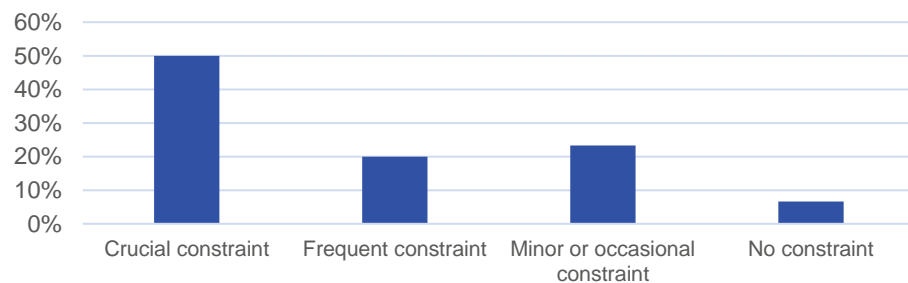
Source: Survey of EIB staff

Figure 87: Extent to which a lack of a local EIB presence was perceived as a constraint in deepening the EIB's relationship and mutual understanding with borrowers and promoters (%)



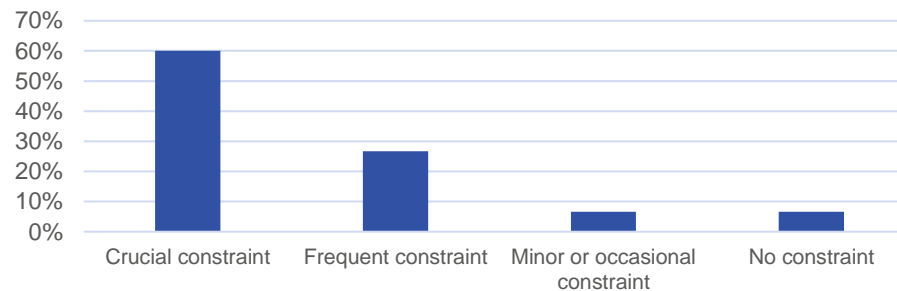
Source: Survey of EIB staff

Figure 88: Extent to which a lack of a local EIB presence was perceived as a constraint in deepening the EIB’s relationship and mutual understanding with co-financing international financial institutions (%)



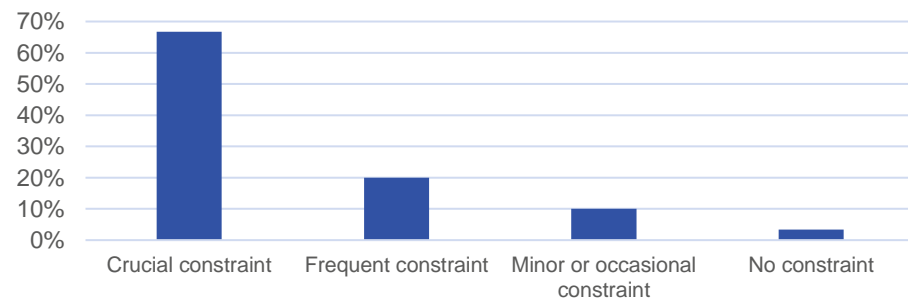
Source: Survey of EIB staff

Figure 89: Extent to which a lack of EIB local presence was perceived as a constraint in taking the lead international financial institution role in financing a project (%)



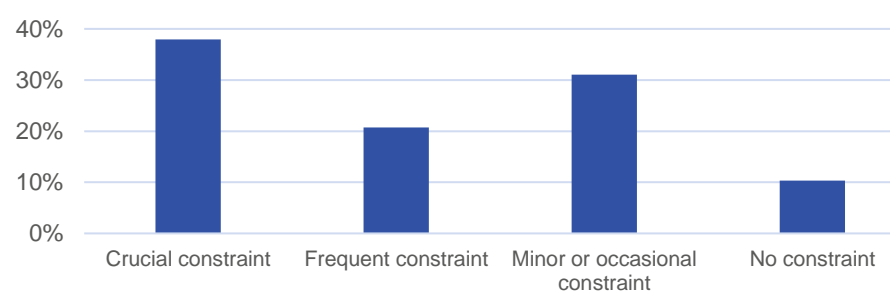
Source: Survey of EIB staff

Figure 90: Extent to which a lack of a local EIB presence was perceived as a constraint in originating new projects (%)



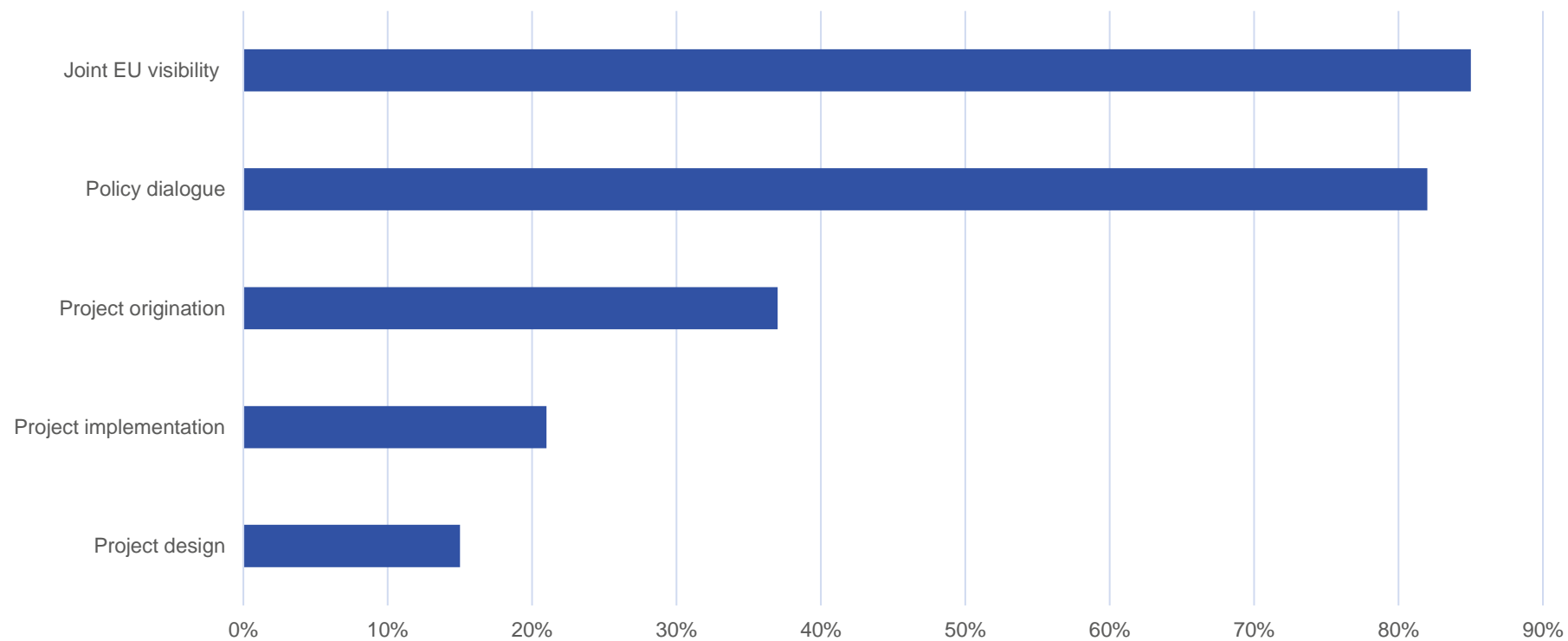
Source: Survey of EIB staff

Figure 91: Extent to which a lack of a local EIB presence was perceived as a constraint in engaging with the EU delegation and accessing policy and/or grant support (%)



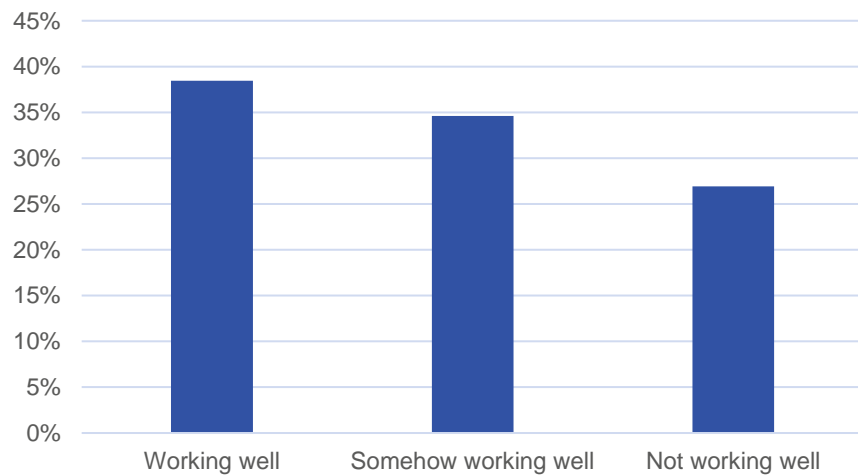
Source: Survey of EIB staff

Figure 92: Perceived added value of engagement with the EU delegation (% of responses citing high added value)



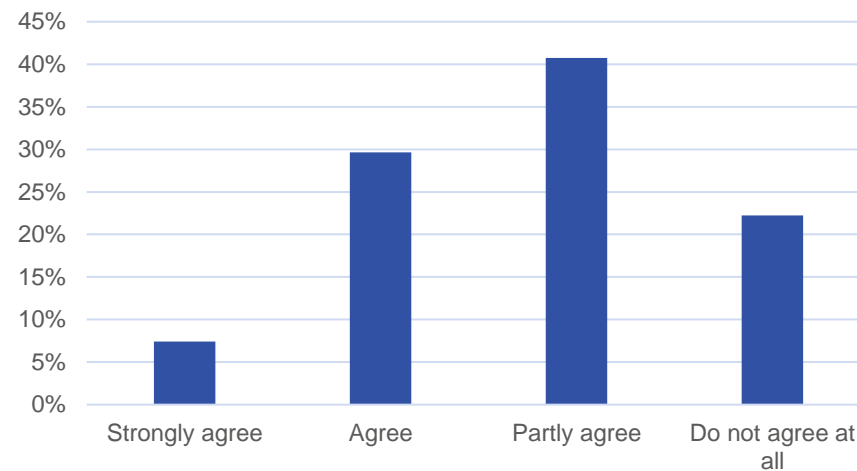
Source: Survey of EIB staff

Figure 93: Extent to which the Mutual Reliance Initiative was perceived to have worked in the water sector (%)



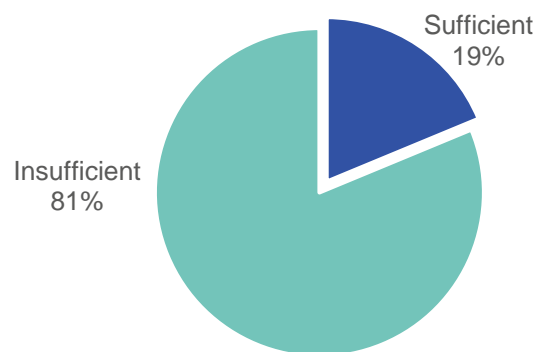
Source: Survey of EIB staff

Figure 94: Extent to which respondents agreed with the following statement (%): the Mutual Reliance Initiative is a good concept but the guidelines are too complex



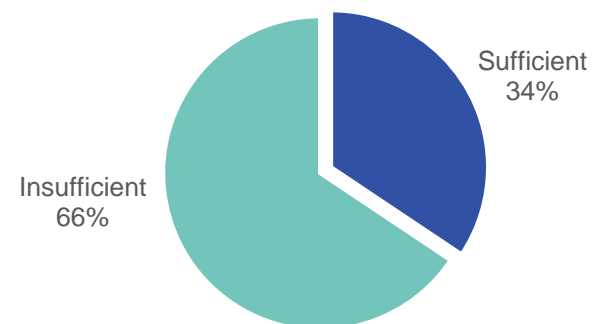
Source: Survey of EIB staff

Figure 95: Perceived sufficiency of the technical assistance provided for upstream advisory services (%)



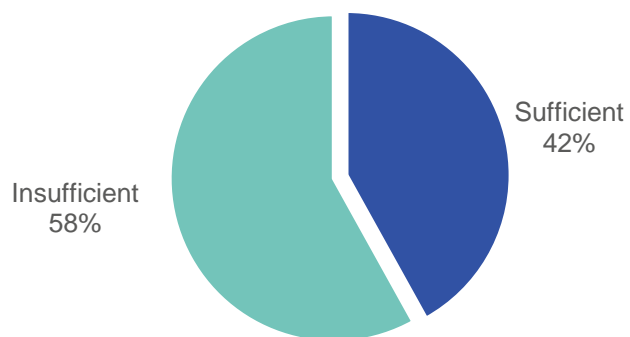
Source: Survey of EIB staff

Figure 96: Perceived sufficiency of the technical assistance provided for project studies and design (%)



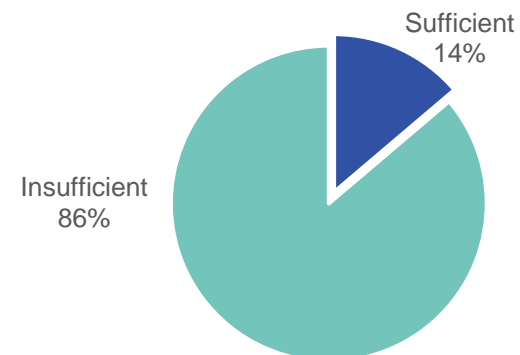
Source: Survey of EIB staff

Figure 97: Perceived sufficiency of the technical assistance provided for PMUs for project implementation (%)



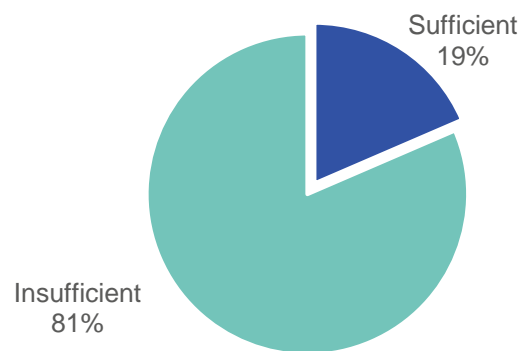
Source: Survey of EIB staff

Figure 98: Perceived sufficiency of the technical assistance provided for institutional strengthening of promoters (%)



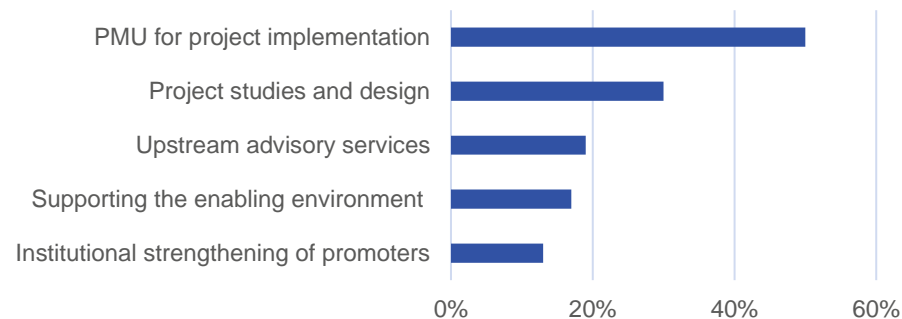
Source: Survey of EIB staff

Figure 99: Perceived sufficiency of the technical assistance provided for supporting the sector enabling environment (%)



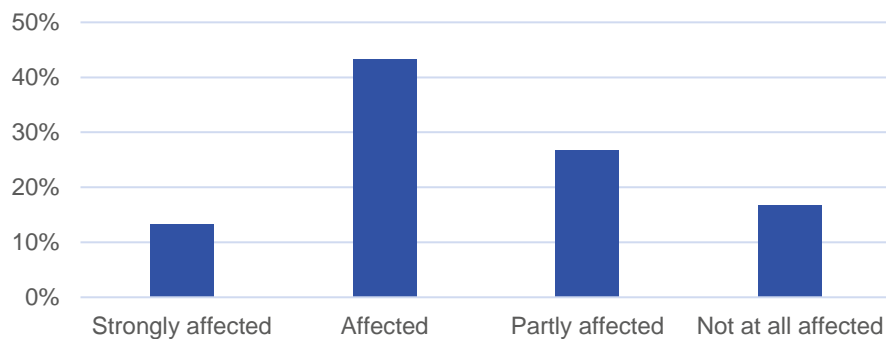
Source: Survey of EIB staff

Figure 100: Perceived sufficiency of the technical assistance provided for different areas (% of responses finding the technical assistance sufficient)



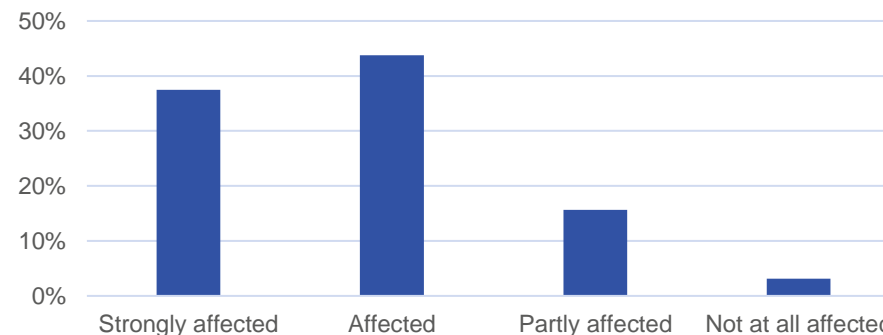
Source: Survey of EIB staff

Figure 101: Extent to which governance was perceived as influential on the sustainability of EIB-financed projects (%)



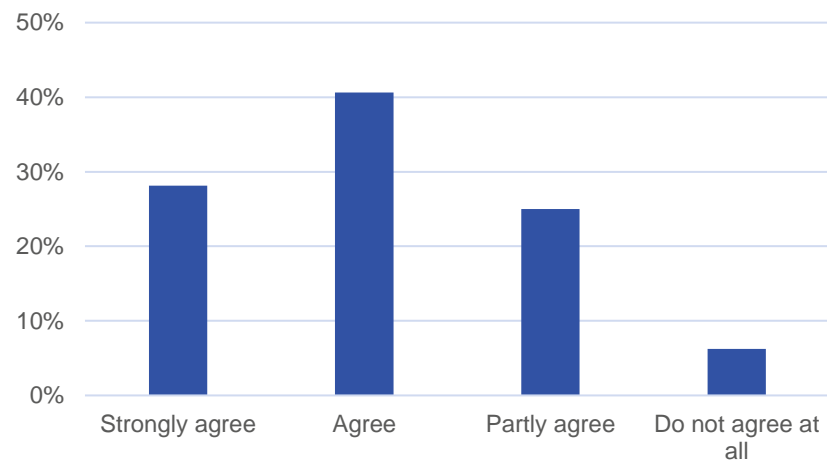
Source: Survey of EIB staff

Figure 102: Extent to which human resources and operational performance of the operator were perceived as influential on the sustainability of EIB-financed projects (%)



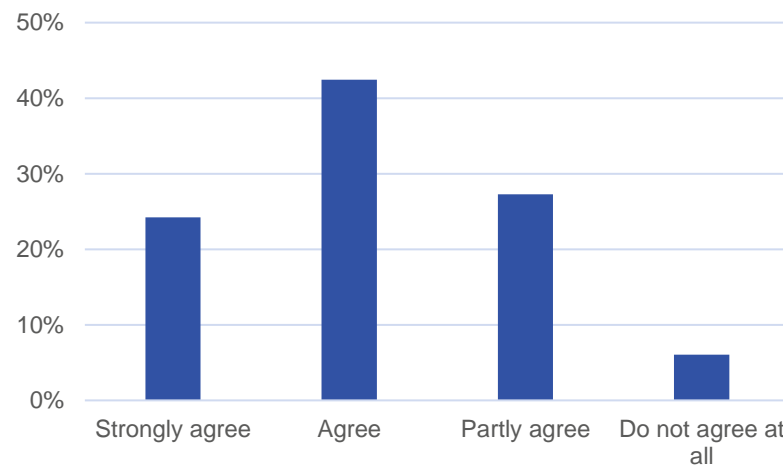
Source: Survey of EIB staff

Figure 103: Extent to which respondents agreed with the following statement (%): the EIB water projects optimised their potential development effects in terms of social/economic impact



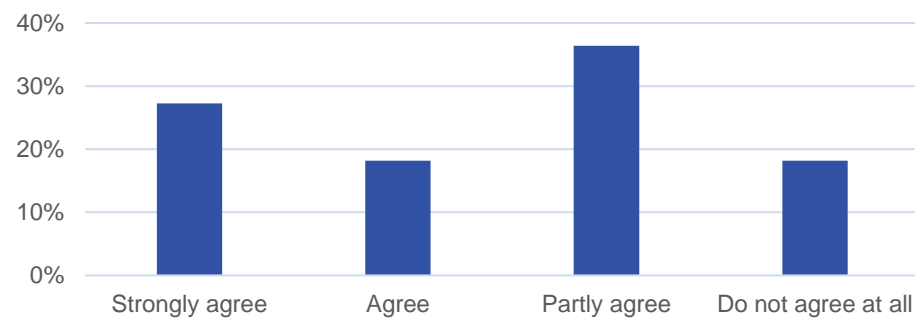
Source: Survey of EIB staff

Figure 104: Extent to which respondents agreed with the following statement (%): the EIB water projects optimised their potential climate and environmental sustainability effects



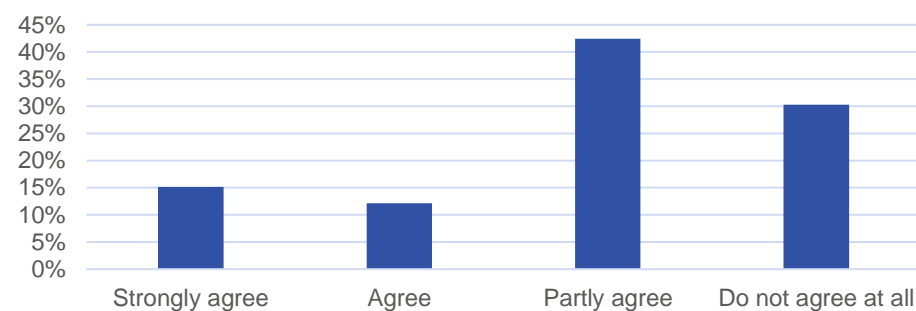
Source: Survey of EIB staff

Figure 105: Extent to which respondents agreed with the following statement (%): the preconditions are too many and/or unrealistic and are often an impediment to project success



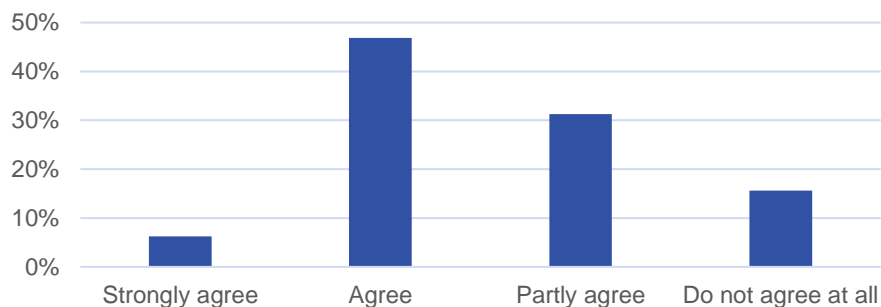
Source: Survey of EIB staff

Figure 106: Extent to which respondents agreed with the following statement (%): the preconditions selected are not the most relevant or are not strong enough to ensure the intended sustainable development impact



Source: Survey of EIB staff

Figure 107: Extent to which respondents agreed with the following statement (%): the preconditions selected are about right most of the time



Source: Survey of EIB staff

ANNEX 5. SUMMARY OF POLICY REVIEW

Figure 108: Overview of policy framework

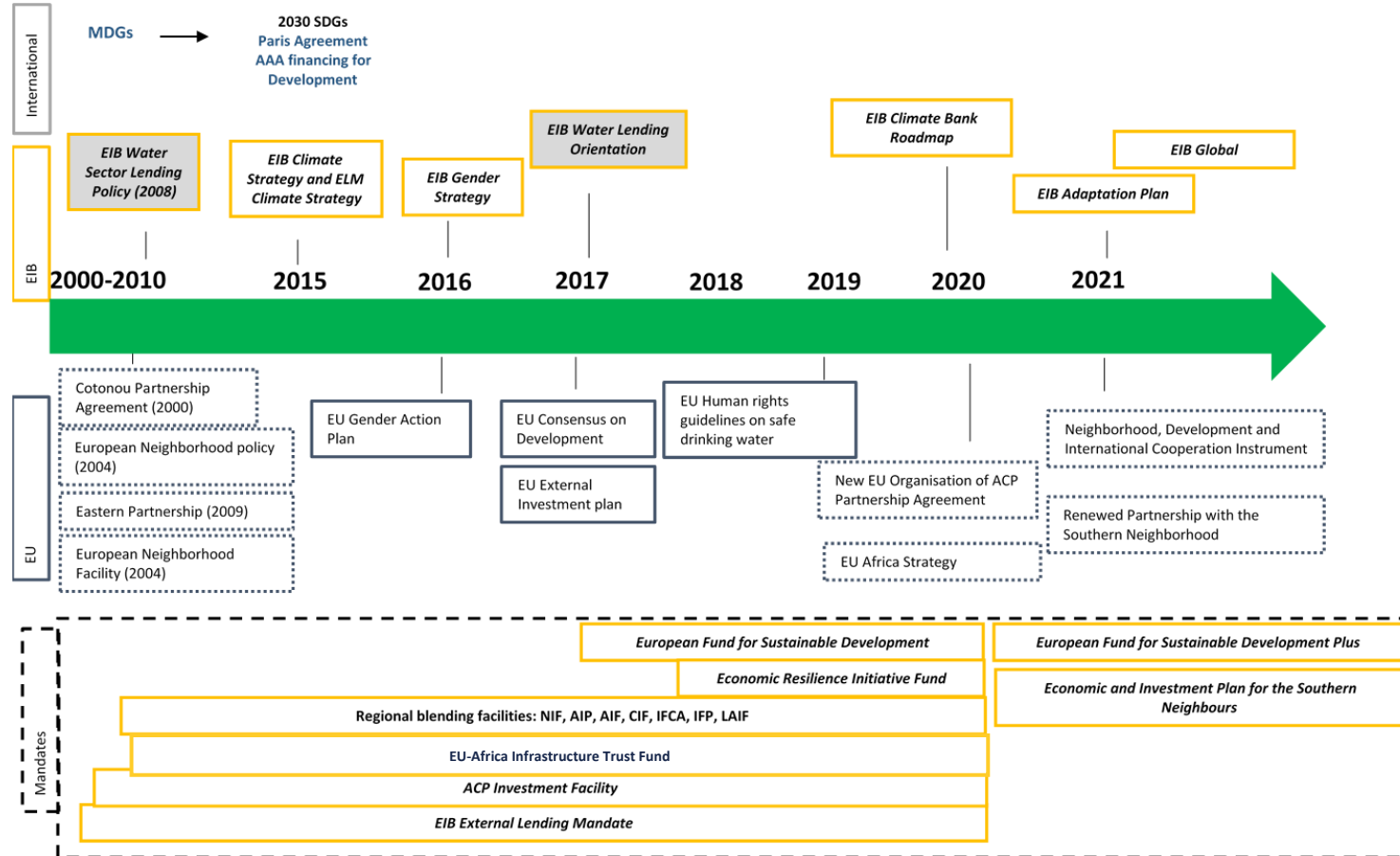


Table 13: Policy review summary (2000-2021)

| YEAR | INTERNATIONAL | EUROPEAN UNION | EIB |
|-------------|-------------------------------------|--|---|
| 2000 | Millennium Development Goals | <p>Cotonou Partnership Agreement</p> <p>Sets out the EU–ACP partnership and replaces the 1975 Lomé convention</p> | <p>External Lending Mandate</p> <p>Funded through EU external financial instruments (IPA, DCI, ENI) and intended to promote the European Union’s external policy objectives, including private sector development, social and economic infrastructure and climate change mitigation and adaptation</p> |
| 2003 | | | <p>ACP Investment Facility</p> <p>Linked to the Cotonou Partnership Agreement and funded by the European Development Fund, with the objective to support investments by private- and commercial-run public entities in all economic sectors</p> |
| 2004 | | <p>European Neighbourhood Policy</p> <p>Provides the framework for relations between the European Union and the 16 Neighbourhood countries, with the objective to support and foster stability, security and prosperity in the EU Neighbourhood</p> | |
| 2008 | | | <p>EIB Water Sector Lending Policy</p> <p>Guided by EU environment and development policies, it defines a set of policy interventions and actions that will intensify the Bank’s support in the water sector</p> |
| 2009 | | <p>Eastern Partnership</p> <p>Sets out the ambitions for the partnership between the European Union, Member States and Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine</p> | |

| | | | |
|--------------------|---|---|---|
| <p>2015</p> | <p>2030 Agenda for Sustainable Development (SDGs)</p> <p>Includes a commitment to a world in which access to safe drinking water and sanitation is a human right. SDG 6 covers water and sanitation</p> <p>AAA (Addis Ababa Action Agenda) on financing for development</p> <p>Provides a framework to support the implementation of the 2030 agenda for sustainable development and mentions water in several places</p> | | |
| <p>2015</p> | <p>Paris Agreement</p> <p>Aims to limit global warming to well below 2 (preferably 1.5) degrees Celsius compared with pre-industrial levels; includes no specific mention of water</p> | | <p>EIB Climate Strategy</p> <p>Includes several mentions of water and water resources, but mainly in the context of the importance of climate action to address water shortages, flooding, rising sea levels and ocean acidification</p> <p>ELM Climate Strategy</p> <p>Fully in line with the EIB Climate Strategy and includes water and sanitation as one of its focus areas</p> |
| <p>2016</p> | | <p>EU Gender Action Plan (2016-2020)</p> <p>Sets out the objective of equal access and control over clean water for girls and women, as well as equitable engagement in water management</p> | <p>EIB Gender Strategy</p> <p>Aligned with the European Union's Gender Action Plan; aims to embed gender equality and women's economic empowerment in the EIB Group's activities and is underpinned by a Gender Action Plan; mentions the importance of the water sector</p> |
| <p>2017</p> | | <p>EU Consensus on Development</p> <p>Sets out the European Union's response to the 2030 agenda for sustainable development; its primary objectives are poverty eradication and strengthening policy coherence for development to achieve the SDGs, including the right to water</p> | <p>EIB water lending orientation</p> <p>Sets out guidance on what investments the Bank can support; framed around the need to secure and protect water security</p> |

| | | | |
|------|--|---|--|
| 2017 | | <p>EU External Investment Plan</p> <p>Covers the EU Neighbourhood countries and Africa and builds on the regional blending facilities; aims to use aid in a more strategic way to spur private investment by providing guarantees and technical assistance</p> | <p>European Fund for Sustainable Development</p> <p>The financial arm of the EU External Investment Plan aimed at stimulating sustainable investment in Africa and the European Neighbourhood countries; includes the Neighbourhood Investment Facility and the Africa Investment Platform</p> |
| 2018 | | <p>Council conclusion on water diplomacy</p> <p>Highlights the importance of water in EU external action and identifies water cooperation as a key objective of EU external action</p> | <p>Economic Resilience Initiative</p> <p>Linked to the ELM and adds a new (fourth) high-level objective to the ELM aimed at addressing the economic resilience of refugees, migrants, and host and transit communities</p> |
| 2018 | | <p>UN General Assembly declares 2018-2028 the international decade for action on water for sustainable development</p> | |
| 2019 | | <p>EU human rights guidelines on safe drinking water and sanitation</p> <p>Sets out the European Union commitment to human rights in its external policy, including by emphasising the clear recognition of the human rights dimension in areas such as water</p> | |
| 2020 | | <p>New EU Organisation of African, Caribbean and Pacific States Partnership Agreement</p> <p>Aims to strengthen the capacity of the European Union and ACP countries to address global challenges together; covers democracy and human rights, sustainable economic growth and development, climate change, human and social development, peace and security, migration and mobility</p> | <p>Climate Bank Roadmap</p> <p>Sets out the EIB's ambition for climate action and environmental sustainability from 2021 to 2025; on water it notes that the EIB Group will continue to support all water projects that meet its wider eligibility criteria</p> <p>EIB Climate Strategy</p> <p>Updates the 2015 strategy to reflect the 2019 commitments on climate action and environmental sustainability, as well as the latest developments in European and international climate policies</p> |

| | | | |
|------|--|--|---|
| 2020 | | <p>EU Africa Strategy</p> <p>Water not a focus as such, but it includes some mentions of water, for example that the European Union and Africa have a common interest in promoting investments in basic health care, clean water and housing and in developing infrastructure and the capacity to cope with outbreaks of diseases</p> | |
| 2021 | | <p>Renewed Partnership with the Southern Neighbourhood</p> <p>Follows the 1995 Barcelona declaration, which launched the Euro-Mediterranean Partnership, and follows a review of the neighbourhood policy in 2015</p> | <p>EIB Adaptation Plan</p> <p>Refers to water in several places, linked to water scarcity, the increased risk of flooding and the resilient use of water resources</p> |
| 2021 | | <p>Neighbourhood, Development and International Cooperation Instrument</p> <p>Replaces the ELM and other external action instruments</p> | <p>European Fund for Sustainable Development Plus</p> <p>Replaces the European Fund for Sustainable Development</p> |
| 2021 | | | <p>EIB Global</p> <p>Establishes the EIB development branch</p> |

ABOUT THE EVALUATION DIVISION

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

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

EIB GROUP EVALUATION


Evaluation of EIB support for the water sector outside the European Union

From 2010 to 2021



Evaluation
Evaluation@eib.org
www.eib.org/evaluation

European Investment Bank
98 -100, boulevard Konrad Adenauer
L-2950 Luxembourg
+352 4379-22000
www.eib.org – info@eib.org

 twitter.com/EIB
 facebook.com/EuropeanInvestmentBank
 youtube.com/EIBtheEUbank