



Donors, implementing agencies and DFI/PDB cooperation

European donors' partnership with the EIB

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This study is part of a series of analyses covering 8 European case studies ([France](#), [Germany](#), [Italy](#), [the Netherlands](#), [Spain](#), [United Kingdom](#), the European Bank for Reconstruction and Development - [EBRD](#) and the European Investment Bank - [EIB](#)) as well as a [synthesis report](#).

THE EIB APPROACH TO COORDINATION

The European Investment Bank (EIB) cooperates with the European Union (EU), its member states and their development agencies at both the strategic and operational levels. In terms of governance, the EU member states, as shareholders, are members of the EIB Board and of the Advisory Group consulted on the Bank's outside-EU activities.

To better respond to global challenges, the EIB established 'EIB Global' on 1 January 2022 as a branch re-grouping EIB's activities outside the EU. By bringing EIB resources and expertise together for those countries and regions, EIB Global intends to take a more focused approach to development finance and international partnerships, especially in the context of the Team Europe initiatives. Through EIB Global, the Bank also aims to strengthen its local presence in offices around the world by bringing in more technical and financial experts. These experts should help identify and deliver projects on the ground and thus enhance EIB Global's impact and contribution to the United Nations Sustainable Development Goals.



The EIB also follows the strategic priorities and 'policy-first' approach of the EU and contributes to implementation of the EU development budget. Under the 2021-2027 Global Europe-Neighbourhood, Development and International Cooperation Instrument (NDICI), the EIB benefits from a dedicated window for its sovereign and sub-sovereign non-commercial operations under the European Fund for Sustainable Development Plus (EFSD+) and related external action guarantee, and it can access the open windows for non-sovereign and sub-sovereign commercial operations.

Through these, the EIB can benefit from a range of EU instruments, including grant support, technical assistance, blended finance and guarantees. At the operational level, EIB Global activities are guided by the EU programmatic approach through the multiannual indicative programmes (MIPs). The EIB is part of the Team Europe approach and contributes to many Team Europe initiatives. It works closely with the European Commission and European External Action Service, both at the headquarters level and in EU partner countries, where it collaborates with the EU delegations (in which the EIB presence on the ground is usually located). The EIB also cooperates directly with EU bilateral donors by establishing and implementing trust funds. Initially, these trust funds were set up on a case-by-case basis and had different rules and mechanisms. However, in 2017, the EIB established the Partnerships Platform for Funds (PPF), which provides a set of common rules in a single framework to be applied to all trust funds. This has had several advantages:

- Simplification and standardisation of procedures, for instance, on governance arrangements, fee calculations and reporting standards, which will soon be updated ([EIB 2020](#))
- Helping donors, including those from smaller member states that may not have a development finance institution (DFI), to engage in common trust funds to achieve impact at a larger scale than could be attained individually
- Providing speedy responses to specific needs – a trust fund can be set up in less than three months – and cater effectively to new priorities; this could be the case, for instance, for the proposed [Gateway Trust Fund](#), which would allow donors to channel funding to high-impact investment projects in Ukraine

Following this approach, seven trust funds have been set up to support EIB operations in the space of five years, compared to only two prior to 2017.¹ Importantly, trust funds can be established at the initiative of either the EIB or donors. For instance, the EIB developed the Facility for Euro-Mediterranean Investment and Partnership (FEMIP) Trust Fund (FTF), the Eastern Partnership Technical Assistance Trust Fund (EPTATF) and the Economic Resilience Initiative Fund (ERIF). The Netherlands initiated the Water Sector Fund, and Luxembourg initiated the Luxembourg-EIB Climate Finance Platform and the Financial Inclusion Fund (Box 1). The remainder of this brief focuses on EIB Global's cooperation with bilateral EU donors and implementing agencies.

Box 1: Luxembourg's participation in EIB trust funds

Luxembourg does not have its own development finance institution. The ministries of Finance, the Economy, and Foreign and European Affairs and LuxDev often work together with the EIB, which is based in Luxembourg, to engage in blended finance.

Although one of the smaller EU member states, Luxembourg is one of the largest donors the EIB works with. Luxembourg has participated in six EIB trust funds, and pledged €94.9 million with a view to addressing strategic thematic areas such as climate finance and microfinance in priority countries. Luxembourg participated in the FEMIP Trust Fund (FTF), the EU-Africa Infrastructure Trust Fund (EU-AITF), the Economic Resilience Initiative Fund (ERIF) and the City Climate Finance Gap Fund initiative (to which it was an initial contributor). In addition, Luxembourg created together with the EIB two additional funds: the Luxembourg-EIB Climate Finance Platform (LCFP) and the Financial Inclusion Fund.

Working with the EIB has allowed Luxembourg to mobilise EIB and private sector investment for high-impact projects focused on its priority themes and countries. For instance, the Economic

Resilience Initiative Fund, with funding of €112.4 million, has generated investments worth €776 million, translating into a leverage effect ratio of over 1:7 ([ERIF n.d.](#)). The LCFP catalyses private and public investments by providing financing to the junior tranches of layered funds. This reduces the risk of investment in the more senior tranches and so enables investments in companies in emerging markets that are involved in climate change mitigation and adaptation projects ([LCFP n.d.](#)). The €40 million invested in the junior tranches of the different operations supported by the LCFP has triggered additional investment – close to €300 million – from the EIB, which would not have been possible without the participation of the LCFP due to the risk associated with these operations. The initial junior and senior tranches of the different funds set off additional private and public investments, for an estimated €16 billion in total project investment. The funds committed by donors can include inter alia investment grants, technical assistance and financial instruments. Each EIB trust fund has a contributors committee, which enables donors to participate in the definition of strategic orientations and to monitor activity results and the effectiveness of grant allocations.

CHALLENGES

It is challenging for the EIB to respond to requests for additional information and the burgeoning reporting requirements of some donors. Despite implementation of the PPF, which offers standardised reporting, several donors continue to approach financial institutions with frequent requests for additional information or reports. For instance, before committing any funds to a trust fund, donors require increasing amounts of information along with a clear pipeline of operations, though such pipelines are subject to change reflecting the challenging contexts in which the EIB operates outside the EU. Donors also tend to assert their own due diligence or reporting requirements, often originating from their own reporting systems. This impacts the resources needed to manage the trust funds under the PPF. The creation of new trust funds requires careful consideration to ensure cost coverage for the EIB. Such concerns led, for instance, the World Bank to adopt a minimum threshold for countries' contributions to trust funds.

The overall implementation of the trust funds can be further enhanced. Although the PPF framework has led to a standardising and streamlining of the creation and functioning of the trust funds, some stakeholders have suggested that further efforts could be dedicated to facilitating the timely disbursement and implementation of technical assistance budget lines, in particular in complex contexts. The establishment of a trust fund is just a first step. Once it is set up, relevant projects need to be sourced, assessed and approved before resources from the trust fund can be used. This takes time, especially in contexts characterised by higher levels of risks where (near-) bankable projects are rare. In addition, the promotion of a trust fund through the EIB and the donor's channels could be further enhanced at times, as trust funds are not always smoothly coordinated, either internally among the involved institutions and their branches operating in developing countries, or externally among potential project promoters from the private sector.

The involvement of implementing agencies in EIB trust funds is limited due to institutional commitments and legal considerations related, among others, to the prevention of tied aid and open public procurement under EU law. For

instance, a donor may not link its technical assistance or the expertise of its implementing agency to its support to the EIB through a trust fund. While ensuring open competition, this may limit potential synergies between the EIB's investment operations and a donor initiative or implementing agency-related support (e.g., technical assistance). Nevertheless, the collaboration with implementation agencies under EIB trust funds, in close cooperation with the donor(s), is possible in exceptional cases. It is important, however, that steps be more systematically taken to explore different forms of cooperation.

KEY LESSONS

Trust funds are flexible instruments which can help all European donors pursue dedicated issues in a way that contributes to their political and policy priorities. Donors can choose to contribute or help create a trust fund responding to their policy objectives and targeting priority regions or countries. They can do so alone or together with other donors. In doing so, they have the opportunity to (1) complement their existing programmes in given countries and (2) mobilise the EIB's expertise and network to attract private sector investments, thus leveraging limited public funds.

This is particularly relevant for all EU member states that want to deploy their official development assistance (ODA) and development finance in further cooperation and at scale at the European level (as part of Team Europe). It is also attractive for smaller member states, such as Luxembourg – which do not have a DFI – and rely on the EIB to engage in blended finance at scale with other donors. Through their participation in the contributors committee, donors are able to further tailor strategic priorities and closely follow the progress and challenges the EIB faces in strategic policy areas.

The total amount of contributions from EU member state donors has quadrupled since 2017. Still, there is definitely potential to grow further, given the high potential of the PPF to quickly integrate additional contributions from various EU member states for guarantees, blended operations and technical assistance in particular. Donors'

1. The EIB has also managed two trust funds accessible to other financiers, namely the EU-Africa Infrastructure Trust Fund (EU-AITF) and the Neighbourhood Investment Facility (NIF).



additional contributions to the PPF are potentially even more relevant in the current context of global crisis (e.g., climate change, pandemic, Russian war in Ukraine, energy and food crisis). They could also help compensate for the EU member states' own contributions to the EIB via the European Development Fund for the group of African, Caribbean and Pacific (ACP) states, which were terminated at the end of 2020 and integrated (i.e., 'budgetised') into the EU development budget for the 2021-2027 period.

The secondment of donor staff to the EIB helps foster collaboration between the respective institutions. Secondment offers an opportunity for donors to further understand EIB processes, build their network within the Bank, and support investments, notably under the trust funds in which donors are active. In doing so, donors get a better understanding of the opportunities as well as constraints and limitations of the EIB and can subsequently provide tailored support.

Trust funds can help the EIB invest in challenging markets and position itself on strategic topics. For the EIB, cooperation with donors allows the Bank to invest in projects in countries and sectors involving higher financial risks and potentially higher development impacts, particularly in fragile and least-developed countries (LDCs). In that sense, technical assistance financed through trust funds allows for mitigating risks and ensuring a project's economic, environmental and social sustainability (EIB 2019). It also confers the EIB more strategic visibility on specific topics – such as climate finance. Last but not least, technical assistance financed through trust funds can help support the project preparation phase, in which assistance is often lacking at the moment.

RECOMMENDATIONS

EU donors should take advantage of the Partnerships Platform for Funds (PPF) to allow the EIB to respond at scale and in a flexible manner to major crises and emerging priorities. Unlike resources under the EU budget, which is set for a seven-year period with little room for flexibility, EU member states can provide additional resources to respond to new issues and crises. In an increasingly geopolitically fragmented world, which is unpredictable and subject to wars, pandemics and climate disasters, the EIB's capacity to react fast and at scale has never been more important. In this context, EU member states could collectively rely on the PPF to provide guarantees, investment grants and technical assistance via dedicated trust funds, enabling the EIB to play a more active and prominent role in the EU strategic response to a rapidly changing environment. The EIB's shareholders should also encourage EIB Global to apply a long-term development perspective and consider accepting a higher risk profile for investments in developing countries. In this regard, the EIB can do more than invest; by supporting the EU member states it can indirectly increase the EU's geopolitical weight internationally.

Trust funds can be used as pilot initiatives to address complex and new issues of priority for donors and the EIB. Given that the volume of contributions going to the trust funds does not need to be large and that it is relatively easy for existing contributors to initiate new trust funds (as they are already familiar with the PPF rules and framework), EU member states could use trust funds to pioneer new approaches and incentivise investments in riskier areas, as in the case of the Green Hydrogen Fund. The EU member states, as the EIB's shareholders and members of the EIB Board and the EIB Global Advisory Group, should encourage the EIB to increase



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co-investments, with its own resources, in projects financed by trust funds. Trust funds could also be used to foster project development (e.g., in given sectors in Africa; or to spur investment in fragile states), combining the endeavours of several EU member states. Based on insights and lessons from early experiences, such initiatives could then be scaled up (and better informed) through larger trust funds and facilities, tackling key priorities.

To leverage opportunities arising from their participation in trust funds, donors should have an engagement with the EIB that goes beyond the Ministry of Finance. With the trust funds targeting investments outside the EU and development issues, donors should more systematically involve their Ministry of Foreign Affairs. The latter often have expertise in sustainable development matters and a network of embassies that can help provide relevant knowledge, information and support. This point is of particular relevance for the governance of EIB Global.

In cases where the resources of bilateral donors or the European Commission are limited or unavailable, the EIB should be able to use its own resources to finance technical assistance that is necessary to develop a pipeline of operations, and help in their preparation and implementation. The EIB should be able to provide reimbursable or convertible technical assistance, which would further enhance its technical assistance capacity. The merits of the EIB providing investment grants from its own resources should be reconsidered; this is currently not permitted based on the EIB statute, as it could be seen as the EIB subsidising its own operations. Such investment grants would further help unlock projects that have a low financial return or higher risk but potentially high socio-economic and development returns, as is often the case in poorer countries and more fragile contexts. It would be in line with the objectives of EIB Global as well.

A multi-donor trust fund could allow the EIB to invest at scale in local currencies. Providing financial instruments in local currency helps offset currency risk from the project promoter to the EIB while at the same time contributing to the development of capital markets. While the EIB is interested in being increasingly active in this field, donors' support has so far been limited. Channelling additional donor resources to address this issue would help the EIB (1) increase its lending in local currency; (2) build its knowledge and expertise in this field; and (3) develop innovative products and processes allowing it to hedge currency risks.



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EU donors should strive to more systematically combine their efforts and accept standardised information and reporting to enhance efficiency. It is also important to avoid the proliferation of small trust funds. Such a fragmented approach, which may involve slightly different requirements for each fund, would not be efficient. Proliferation of small trust funds could have several consequences:

- Higher management costs on the EIB side
- Lack of visibility of the issues targeted by each of the trust funds
- Reduced likelihood of EU member states joining forces and achieving impact at scale

There is a need to streamline donors' and EIB's internal processes, along with the PPF and Team Europe approach, to allow for the fast implementation of joint EIB-donor activities. The European Commission and (subgroups of) EU member states should increasingly seek to align their joint actions with the EIB on a specific set of strategic priorities based on common processes. This includes promoting more substantial synergies and complementarities of their actions. The EU collective response to the Russian war in Ukraine and its global consequences could be a pioneering initiative in that respect. ■



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