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Ex Post Evaluation of JEREMIE
 “Evaluation Phase” as it relates to the EIF

Synthesis Report

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EVALUATION REPORT

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NOTICE

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GLOSSARY OF TERMS AND ABBREVIATIONS

μ	Micro
BA	Business Angels
CEoI	Call for Expression of Interest
CF	Cohesion Fund
CL	Cost Letter (between fund manager and MA)
COCOF	Coordination committee of the funds
DG COMP	Directorate General for Competition (EC)
DG REGIO	Directorate General for Regional Policy (EC)
EC	European Commission
EIB	European Investment Bank
EIF	European Investment Fund
EoI	Expression of Interest
ERDF	European Regional Development Fund
ESF	European Social Fund
EV	Operations Evaluation (EIB)
FRA	Framework Agreement (between fund manager and MA)
FA	Funding Agreement (between fund manager and MA)
FEI	Financial Engineering Instrument
FI	Financial Intermediary
FM	Financial Mechanism (synonymous with FI in some Commission texts)
FRSP	Funded Risk Sharing Product
GA	Gap Analysis
HF	Holding Fund
IB	Investment Board (of a Holding Fund)
ICT	Information and Communication Technology
ISP	Investment Strategy and Planning
JEREMIE	Joint European REsources for Micro to medium Enterprises
JHF	JEREMIE Holding Fund
JSC	JEREMIE Steering Committee (involving DG REGIO, EIB, EIF)
MA	Managing Authority
MoU	Memorandum of Understanding
NSRF	National Strategy Reference Framework
OP	Operational Programme (under the Structural Fund regulations)
RBD	Regional Business Development (EIF)
RC	Risk Capital
SF	Structural Funds
SME	Small and Medium Sized Enterprise
SPV	Special Purpose Vehicle
TA	Technical Assistance
ToR	Terms of Reference
TT	Technology Transfer
VC	Venture Capital

EXECUTIVE SUMMARY

This report presents the results of the ex-post evaluation of the Evaluation Phase of the JEREMIE initiative as it relates to the EIF. The evaluation was carried out by the independent evaluation services of the EIB Group. The Evaluation Phase was the phase of the JEREMIE initiative during which gaps in the provision of finance to SMEs were identified and the proposals for appropriate actions designed to address those gaps was completed. Only after the second phase of the initiative, the Implementation Phase, is complete will it be possible to evaluate the JEREMIE initiative as a whole. Nevertheless the Evaluation Phase was in itself a major undertaking and it was considered timely to conduct an evaluation of this phase. The evaluation aims to provide transparency to EIF governing bodies in relation to their investment in the JEREMIE initiative and provides lessons learnt for the EIF and the EIB Group with regard to future initiatives. The evaluation focuses on EIF activity and on the activity of others where this is related to the EIF's ability to fulfil its role.

The JEREMIE Experiment

One of the first and most significant observations of the evaluation was the number of challenges posed to the EIF by the novel nature of JEREMIE. Not only was it breaking new ground with intermediaries, most having little previous knowledge of financial engineering, but also it involved the EIF in areas where it had little experience or activities it undertook for the first time:

- Dealing with public authorities across the EU to whom they had previously had little exposure – notably those in the New Member States and those at regional level.
- Undertaking the major research exercise represented by the Gap Analyses, involving the procurement and management of consultants on a scale not previously needed for EIF's core business.
- Becoming familiar with EU regulations applicable to Structural Funds – both the constraints they impose on how the funds can be allocated and distributed, and the roles and responsibilities of the key parties such as the managing authorities (MAs) under these regulations.
- Dealing with DG REGIO's financial engineering unit and country desks, and the procedures by which formal clarifications of regulations are obtained.
- The establishment of special purpose vehicle (SPV) structures which not only needed to be compatible with local and EU laws but which should not attract undue liability to the EIF itself.

Added to this inherent novelty there was significant time pressure, as the initiative was launched with a relatively short time window before the financial programme it was aimed to support – the 2007-2013 financial perspective – got underway. This led to a major initiative being undertaken which, as part of a new regulation, was subject to an ex-ante consultation process by the EC, but without a dedicated ex-ante impact assessment for the initiative by either the EC or EIF. The EIF, and other key counterparts such as DG REGIO and the MAs, had to climb a steep learning curve – as whilst some parties were familiar with financial engineering and others with Structural Funds very few were familiar with the two in combination. The initiative was launched in 27 countries at once (covering over 250 potential regional counterparts) and the EIF needed to rapidly acquire resources and instigate marketing efforts on multiple fronts from 2006 onwards. Some of the problems encountered can be traced back to the scale of this experiment.

Overall Conclusion

The overall conclusion of this evaluation is that these challenges were, for the most part, overcome in a satisfactory manner by EIF. There are a number of areas in which, with the benefit of hindsight, it is considered things could have been done differently. The Evaluation Phase was found to be relevant, both as a way of addressing the EU objectives and as a suitable role for EIF, effective in achieving its objectives and leading, as far as can be ascertained at this early stage, to sustainable improvements in the financial support of SMEs. Efficiency is considered to be partly unsatisfactory and much of the focus of the recommendations is to look for ways the Evaluation Phase might have been concluded more quickly and in a more cost-effective manner. The overall EIF contribution to the Evaluation Phase

is considered significant and whilst there are several areas for improvement the management by EIF was considered satisfactory.

This report makes recommendations aimed at those undertaking similar initiatives in the future, so that they may benefit from the lessons learned in JEREMIE. Though these recommendations primarily target efficiency improvements many would have also led to improvements in relevance and effectiveness.

Objectives and achievements

The Evaluation Phase did not have explicit objectives¹ – the early documents focus on the objectives of the JEREMIE initiative overall and specify what type of activities were expected to be performed during the Evaluation Phase. The JEREMIE initiative so far has achieved the following:

- EIF completed 55 Gap Analyses² (GAs) in 19 different EU Member States
- 31 JEREMIE holding funds were established in 15 different countries, totalling EUR 3.7 bn under management; 24 were established following an EIF GA
- 12 of these 31 holding funds are managed by EIF, 8 as national funds and 4 at regional level.

In the absence of quantified targets for the Evaluation Phase, it is difficult to judge on the basis of these achievements alone whether the JEREMIE Evaluation Phase has met its targets.

Moreover, as time progressed the scope of activities included in the Evaluation Phase broadened. The GAs were originally foreseen as the primary deliverable and the main precursor to the implementation of a holding fund. They were to lead to an Action Plan outlining how to address identified gaps and to proposals in Operational Programmes to secure the necessary contributions from Structural Funds, following which implementation could begin. However, over time it became clear that a number of complementary activities would also be required, and would involve such significant resource and time inputs that they constituted a second “work stream” in addition to the work stream represented by the GAs. This second work stream was needed to facilitate the Implementation Phase, to remove various obstacles and hence to create the conditions under which future holding funds could become operational. These included:

- EU-wide marketing efforts to MAs in the early stages to raise awareness and the development with the EC of the JEREMIE Networking Platform to allow practitioners to compare experiences
- The development of the Special Purpose Vehicle (SPV) model currently in use in two countries, which proved to be a resource intensive solution for the ‘grant by means of donation’ concept
- Guidance on the Financial Engineering Regulations and a change to those regulations (prepared by the EC but which the EIF was active in pursuing)
- Ultimate resolution of a number of legal hurdles in beneficiary countries or regions, in some cases requiring changes to national legislation to facilitate the implementation phase
- Development of “standard” EIF financial engineering instruments (FEIs) which have common structures and processes but can be targeted in each holding fund to the needs of specific countries and regions through the detail of their design
- Development of a successful model for private co-finance at the level of the holding fund using an EIB loan, currently in use in one country.

¹ i.e. it was not explicitly stated what outcomes were expected at the end of the Evaluation Phase – an expectation which, good practice shows, should be documented to align expectations and decide on the most adequate actions to achieve them

² The report resulting from the “evaluation studies” referred to in the contribution agreement between the EIF and the EC which included a review of supply and demand, market failures, proposals for next steps and could include proposals for legal structures, which came to be known as a Gap Analysis

In the absence of explicit objectives, and in order to make an assessment of the Evaluation Phase possible, it has been necessary to reconstruct its implicit objectives on the basis of the actual activities carried out (under the agreed contribution agreements) and the different policy documents that relate to the role of EIF in the JEREMIE initiative. Taking these into account, the following *implicit* objectives were derived:

- To put MAs in a position to take an informed decision on whether to proceed with financial engineering, whether to adopt a JEREMIE holding fund and, if so, which FEIs, to include in that fund;
- To ensure that potential obstacles to implementation (compatibility with regulations, eligibility, definition of types of FEIs, etc.) were resolved before putting in place a JEREMIE Holding Fund.

Following these objectives, a number of alternative outcomes were possible, all of which could possibly be classed as successful. For example an MA might decide on a fully informed basis that a JEREMIE holding fund was not suitable or to pursue financial engineering in other ways. The key evaluation question was how influential the Evaluation Phase was in making such a decision.

Against the above two objectives there is evidence that the Evaluation Phase was not always fully effective at the level of individual MAs. Roughly one third of the MAs who did not follow up the GA with a holding fund considered the GA to be of limited importance in their decision-making. Amongst those who did establish a fund the complementary activities were sometimes more influential than the GA. Those MAs who established a holding fund without EIF, or in some cases without a GA, generally considered the influence of the Evaluation Phase to be low.

Overall however, the Evaluation Phase is considered to have had a net positive impact on the amount of Structural Funds managed under holding funds, and probably on the total amount switched from grants to some form of financial engineering³. This impact taken together with the abovementioned achievements coming from the complementary activities, leads to an overall rating of satisfactory for the Evaluation Phase.

EIF Contribution and Management

The overall EIF contribution to the Evaluation Phase is considered significant. The main areas of contribution were technical and institutional, the following being particularly valuable both for MAs and from the perspective of the JEREMIE initiative overall:

- An independent voice in the discussion over whether to adopt financial engineering and/or a JEREMIE holding fund – though in some cases MAs perceived a conflict of interest between EIF roles as provider of the GA and future fund manager
- Expertise in the design of financial engineering instruments
- Investigation of regulatory (both EU and national) implications
- Acting as a focal point for the resolution of eligibility issues (by collating questions and passing them on to the Commission)

EIF also made, jointly with the EC, a significant financial contribution through the funding of the Evaluation Phase costs, which most MAs would have been unable or unwilling to finance to the same level. It is too early to assess the catalytic effect of EIF involvement on private sector participation in the funds. The novel structure of bringing in the EIB as private co-finance at holding fund level is the most significant contribution in terms of financial facilitation but this has not been used in more than one country so far.

EIF management of the Evaluation Phase was overall satisfactory with several opportunities for improvement however. EIF mobilised rapidly to get the initiative underway and, due to the delays in agreeing the annual contribution agreements with the EC, generally advanced the funding to cover

³ This cannot be fully captured by the sample used for this evaluation which clearly focuses only on areas where the EIF was involved

staff costs at its own risk. The rapid start however was not conducive to careful planning, leading to some improvisation as to the initial marketing of the initiative and to the way in which different countries and regions were approached. Also, procurement of the GA consultants left much room for improvement. Finally, a proper filing system was only set up late in the phase with the result that information on what happened during the first few years is scattered and difficult to recover. Though overall EIF management is considered satisfactory, several recommendations for improvements are made.

Lessons Learned

EIF managed to overcome the different challenges it was confronted with, for the most part, in a satisfactory manner. The main area where lessons should be learned is the efficiency of the Evaluation Phase. This was considered partly unsatisfactory for the following reasons:

- The majority (9 out of 10) of the cases evaluated in the sample chosen for in-depth evaluation were considered less than satisfactory due to poor timeliness, poor cost-effectiveness or a combination of the two.
- Though an individual action such as the provision of a GA was rarely inefficient, the GA phase overall dragged on into a third year (2008) using up two of the 7 years in the programming period before the assessment of needs was fully completed.
- A variety of external problems and issues, especially regulatory (including national as well as EU level regulations), not accounted for in the planning, led to a protracted period before holding fund arrangements could be fully defined. The majority of funds in the sample evaluated (regardless of the fund manager) were not ready to launch first calls for financial intermediaries until four and half years into the JEREMIE process in mid 2009.
- The long timescale inevitably led to the Evaluation Phase having to accommodate political changes in some countries, thereby exacerbating delays.
- Almost half of the total EUR 15.7 m cost of the Evaluation Phase was spent on preparing GAs for which there was no resulting holding fund, and, for the time being (according to the feedback from the MAs in the sample interviewed), financial engineering only in a minority of cases, raising the question whether this outcome could have been achieved at lesser cost.

Though there is no readily available benchmark against which to compare a novel initiative such as JEREMIE, there is sufficient evidence of inefficiency to conclude that the Evaluation Phase could have been completed more quickly and in a more cost-effective manner. The cause of this inefficiency was not the actions of any single party, but the failure to adequately plan the initiative and to define the targets and objectives for EIF more precisely before its launch. In the opinion of the evaluators an ex ante assessment could have identified the main hurdles to be overcome, identified the principal risks to be mitigated and led to better tailoring of the Evaluation Phase to the specific needs of the beneficiaries. It might also have identified that there were two major work streams to be undertaken rather than one, which could have been pursued in parallel to allow an earlier start of holding fund implementation.

The recommendations which follow are primarily targeted at achieving greater efficiency but would also enhance the relevance and effectiveness of the Evaluation Phase for future initiatives with similarities to JEREMIE. It is acknowledged that there are usually several partners, in this case the EIF, the EC and the MAs, who affect the efficiency of an initiative and that many of these recommendations cannot be acted upon by the EIF in isolation. It is hoped that the EIF Board and senior management acknowledge the benefits of these recommendations but the EIF will need the support of others – from the EC and in some cases the EIB – to achieve the full range of improvements sought for the future, many of which involve allocation to the implementation team of an appropriate period of planning before such initiatives are launched in earnest.

TABLE OF RECOMMENDATIONS

N.B. EV is limited by its mandate to making recommendations to the EIB Group but acknowledges that other key parties such as the EC will need to cooperate for EIF to fully implement the following recommendations.

	Observations and Recommendations	Response of EIF
1	PLANNING & PREPARATION	
	<p>Ex ante evaluation of JEREMIE initiative</p> <p>Observations: The JEREMIE initiative started without being the subject of an ex ante evaluation or preliminary impact assessment. This may not have been strictly necessary under EC procedures as the opportunity to implement financial engineering in a holding fund is simply one article under the broader structural fund regulations. Nevertheless the Evaluation Phase was a major undertaking in itself and such an ex ante analysis could have highlighted problems such as the lack of clarity in the regulation earlier and allowed some of the improvements recommended here to have been considered earlier.</p> <p>Recommendations</p> <p>In future initiatives of a similar nature the EIF should strongly recommend to the EC, other partner institutions or other mandators that an ex ante evaluation / impact assessment is undertaken and that the EIF should take part in this.</p>	<p>The initiative was launched in September 2005 by REGIO, after a very brief consultation process of EIB/EIF. The Structural Funds regulation was approved in early 2006.</p> <p>Any impact assessment at the time would have resulted in further delays.</p> <p>New mandates are now however subject to systematic ex-ante evaluation.</p>
1.1		
1.2	<p>If no ex ante evaluation / impact assessment is undertaken the EIF should make its own assessment of the initiative before deciding upon the suitability of the role it is being offered.</p>	
1.3	<p>Overlapping of the GA and Complementary Activity work streams</p> <p>Observations: An ex ante analysis could have highlighted the fact that there were two major work streams within the Evaluation Phase, not one. One was to assess the gaps in finance for SMEs and the FEIs best suited to fill them. The other was to identify and resolve the practical, legal and regulatory hurdles to using those FEIs. As designed, the GA work stream was given the highest priority and consumed much of EIF's resource, with the result that the second work stream developed <i>in itinere</i> and was progressed in earnest only after the first was completed.</p> <p>Recommendations:</p> <p>In the planning stage of future initiatives all parties should ensure that all the elements of the preparatory phase are identified and assigned adequate priority. If, as in this case, multiple work streams are identified the EIF should aim to focus its efforts on the areas which make the best use of</p>	<p>In relation to EIF's role to oversee GAs, this was mandated by the EC prior to the publication of the EU regulation on Financial Engineering. EIF understands the recommendation is in relation to planning stage is a pragmatic way to proceed, however due to the fact that, as detailed, several parties have to be involved, EIF does not have control over the planning stage of future initiatives and therefore can not implement this recommendation solely. In addition, EIF does not agree that a lesser role needs to be taken as adviser or overseer of GAs, as EIF can play both roles due to the current EIF organisational set up which allows for an independent supervision of advisory and implementation roles.</p>

	Observations and Recommendations	Response of EIF
	<p>its expertise.</p> <p>In the case of the JEREMIE Evaluation Phase, a lesser role as advisor or overseer of GAs allowing EIF to focus on pre-implementation troubleshooting earlier could have improved overall timeliness.</p>	
1.4	<p>Marketing strategy</p> <p>Observations: The rapid mobilisation and lack of ex ante analysis led to the launch of the JEREMIE initiative without a clear marketing strategy. EIF started by marketing the initiative among regions where it already had contacts, later developed an approach with the national level as the entry point alongside DG REGIO and expanded its network guided by the level of interest shown by the counterparts. In this way a marketing strategy was progressively developed.</p> <p>A more systematic approach from the beginning based on prior analysis could have avoided some inefficiency in the first few months, focused efforts on the areas of greatest priority or potential, and possibly avoided lost opportunities where the first approaches to countries were not made in the most appropriate way.</p> <p>Recommendation: In future initiatives of a similar nature, when marketing of the concept to a wide range of different entities in a short period of time is necessary, a clear marketing strategy should be established ahead of any concrete action.</p>	<p>EIF developed a marketing strategy which was presented to, and endorsed by, the Steering Committee. The progress of this was also regularly discussed at the subsequent meetings. EIF will develop a marketing strategy at the beginning of any such future initiatives as was previously done for JEREMIE.</p>
1.5	<p>Timing relative to the programme period</p> <p>Observations: The original intention, expressed in the early promotional material and the first contribution agreements, was for the output from the GA to be incorporated into an Action Plan describing the planned holding fund elements and for the Operational Programmes (OPs) to be modified to reflect those plans. However a number of MAs commented that the output from the GA arrived too late in the process of preparing the OPs to make significant changes and that this hampered their ability to secure the necessary contributions for the holding fund.</p> <p>Recommendation: In future initiatives that are dependent on the outputs from an assessment phase being incorporated in key programme documents, EIF should stress the need for a longer lead-time, of the order of two years <i>before</i> the start of that programme.</p>	<p>The policy was to provide technical assistance to the MS/regions who requested support and therefore it is natural that if a MS/region asked for an evaluation study later on (eg. 2008) that such a study was finalised after the original foreseen timeframe of 2006-2007.</p> <p>The recommendation can be discussed with DG REGIO for the next programming period (2014-2020)</p>

	Observations and Recommendations	Response of EIF
2	DESIGN	
	<p>Fixing objectives</p> <p>Observations: The objectives of the Evaluation Phase were not explicit and not quantified. This allowed EIF's role to broaden gradually from a supplier of GAs and possible future holding fund manager to supplier of complementary support activities of a more legal and regulatory character and support to the overall network of the initiative. Without clear objectives or quantified targets (e.g. on the number of GAs to be carried out) it was not exactly clear at which point EIF would have fulfilled its obligations under this phase: this was decided as the phase progressed. This impression was reinforced by the contribution agreements being signed late in the year (never before October) after a time-consuming process of negotiation with the EC during which EIF pre-financed costs.</p> <p>Recommendations:</p> <p>2.1 When an initiative consists of different phases or components, both overarching ("global") objectives and those for individual phases or components ("specific objectives") should be clearly defined, with clear indicators to allow monitoring of the achievement of objectives and a definition of quantified targets.</p> <p>2.2 Agreements specifying such objectives, indicators, targets and concrete tasks for EIF should be processed earlier so that they can be signed at the start of each year and preferably have multi-annual budgets set for long-term programmes which need to be negotiated only once.</p>	<p>As this type of initiative was deployed for the first time; it was difficult to get precise and quantified objectives set ex ante.</p> <p>The SC meetings did initially capture many of these points and served as a platform for DG REGIO to monitor the progress made by EIF. It must be highlighted that this was a new initiative and that it would be expected that budgets and targets require regular review and adjustments during the process as many of the actions were new for all parties involved. However EIF will ensure where possible and to the extent possible to pursue clear and specific objectives for each phase of future initiatives with the collaboration of key parties and decision makers.</p> <p>Although the responsibility of the CA and the timely signature is dependant on both parties, EIF will ensure that in the next programming period it provides information required in a prompt manner to its counter-part.</p>

	Observations and Recommendations	Response of EIF
2.3	<p>Potential for tailoring Evaluation Phase inputs to the needs of individual counterparts</p> <p>Observation: The striking heterogeneity of the beneficiaries in terms of their level of knowledge and previous experience with financial engineering raises the question of whether a standard approach to all beneficiaries was the best design for the Evaluation Phase.</p> <p>The first contribution agreement suggests that the intention was to complete an analysis of the global needs of eligible regions. Over time, the modus operandi of individual GAs for each potential holding fund emerged. This had the effect of fixing a GA as a precursor to establishing a holding fund. This was not always strictly necessary for the more experienced MAs who were already partially prepared. In some cases a simple second opinion on the MAs own analysis would have sufficed, in others a much lighter advisory role for the EIF was a more obvious choice than a role as fund manager.</p> <p>Recommendation: For future initiatives consideration should be given to a more flexible approach. In this approach there would be a global assessment of needs but the input per country or region in the preparatory phase would be tailored to meet the MAs needs and their level of readiness. This would allow the EIF to focus their resources on the areas of greatest need, possibly allowing quicker progress towards establishment of a holding fund and improving upon relevance by providing only the support required in each case.</p>	<p>A fully individualised approach remains difficult to establish given different views and approaches of counterparties involved. EIF feels it would be difficult to implement a standardised approach and could affect time and cost negatively.</p>
2.4	<p>Offering a suite of standard products</p> <p>Observations: One of the potential benefits of JEREMIE highlighted in early promotional material was its ability to tailor the FEIs to the specific gaps identified in the GAs and give a bespoke content to each fund to match the needs of the country or region. In reality the list of available FEIs is not so long that there was great variation between the recommendations in different Gas, and by the end of the process of refining the holding fund contents, particularly for the EIF managed funds, a relatively small number of similar products currently make up the majority of the funds.</p> <p>Recommendation: For future initiatives a focus on a small suite of standard products with local adjustments from the beginning might achieve some economies of scale (again allowing EIF to focus its limited resources on providing support, in a flexible way, where it is most needed) but could also possibly open opportunities for a group which</p>	<p>A more standardised approach is currently under development and regularly revised in light of the changes in the respective regulations (e.g. COCOF guidance notes), however given that regions have different requirements, market maturities, etc; some level of flexibility is needed.</p>

	Observations and Recommendations	Response of EIF
	is so far underserved by JEREMIE – small countries or countries with small EU budgets	
2.5	<p>Small countries/countries with small budgets</p> <p>Observations: Certain MAs with a GA but without a holding fund explained that this was not because they did not want a holding fund, but because they were advised their fund would be too small. EIF considered EUR 50-100 m to be the minimum practicable size for a holding fund, which in some cases exceeded the MAs total budget. In exceptional cases EIF was persuaded to proceed with a very small fund but generally resisted. It is estimated that 5 countries (and probably many more regions) were keen on having a holding fund, but below EUR 50 m. Including these counterparts beyond the Evaluation Phase would have increased relevance and effectiveness. Inversely, if funds below EUR 50 m were indeed deemed technically or financially difficult to implement, this should have been announced more clearly as in many cases performing a GA would have been deemed unnecessary by the simple inspection of the contribution the country or region would be willing to make.</p> <p>Recommendation: A more global approach with a few standard products and advisory input from EIF where needed might have allowed “small fund” MAs to take part. A more radical approach would be to set up funds covering multiple regions or countries (as EIF proposed for several countries) and allow pooling of resources to achieve funds of the required critical mass. This clearly has regulatory problems due to the way Structural Funds are allocated but could be a consideration for the next programming period if there is a desire to widen the catchment for JEREMIE.</p>	<p>There are no regulatory provisions in Structural Funds regulations which prevent the financing of financial instruments for enterprises in any of the forms foreseen by the regulations in any given EU region receiving Structural Funds support.</p> <p>It was demonstrated in several Member States that financial engineering instruments can be implemented at multiregional and/or national level even in the cases where regional programmes exist (e.g. Poland).</p> <p>At the same time financial engineering instruments are part of an overall cohesion policy framework and shall respect its rules, therefore certain rules related to allocation of financing must be followed – i.e. national allocations; allocations between regions falling under objective Convergence and objective Competitiveness.</p> <p>However EIF will discuss the recommendation with DG REGIO in the next programming period.</p>
	<p>Advisory Role for EIF</p> <p>Observations: There were a number of cases where the most appropriate role for EIF was acting in support of the national champion. The concept of co-management of JEREMIE holding funds was ruled out by the EC but advisory roles seemed to be accepted and significant budgets were set aside in the contribution agreements for 2008 and 2009 for this purpose, which were heavily under spent. An advisory role did not emerge in as many cases as expected, in some cases due to local procurement restrictions but also due to the resource demands of preparing the fund manager role.</p> <p>Recommendation: If it is deemed important for EIF to fulfil an advisory role in future, e.g. given the</p>	<p>Direct award is not possible under the current regulation; however EIF continues to enquire whether the new regulation could provide for direct award of TA mandates to the EIF – comprising both the structuring of HF as well as the implementation of financial engineering measures.</p>

	Observations and Recommendations	Response of EIF
2.6	<p>likelihood of local actors taking over holding funds, it is necessary to:</p> <ul style="list-style-type: none"> • Include the necessary derogations from normal procurement rules to allow direct appointment of EIF where appropriate • Give such roles equal priority to fund management and ensure that in terms of resource availability and remuneration they are equally attractive to the EIF 	
3	MANAGING EXPECTATIONS AND REPUTATIONAL RISK	
3.1	<p>Improving the Ownership of the GA</p> <p>Observations: A number of MAs commented that they did not feel very involved in the production of the GA report and that this affected their sense of ownership of the results. Even if this is not an accurate reflection, as EIF recollect difficulties in getting the MAs to participate, a greater level of involvement could have led to a greater commitment from the MA to results and possibly a greater match between the recommendations, what the MAs perceived to be the greatest needs and what was finally implemented.</p> <p>Recommendations:</p> <p>If the occasion arises to undertake a similar exercise in future initiatives:</p> <ul style="list-style-type: none"> • Involve the MAs in the development of the template for the GA (which some felt was imposed by the EC and EIF) not at the expense of economies of scale but to incorporate special needs where possible. • Involve MAs in the selection of the consultants preferably through a tender selection process • Give MAs an opportunity to review the GA Terms of Reference and allow them to make an input reflecting their specific needs 	<p>EIF does not share this view of bullet 1 and 2, as based on experience involvement of MA in development of GA template would have incurred delays and conflict on the layout of the methodology.</p> <p>EIF accepts bullet point 3</p>
3.2	<p>Perceived conflict of interest</p> <p>Observations: The dual role of EIF providing a GA and then being in a privileged position to be selected as holding fund manager was sometimes viewed as a conflict of interest.</p> <p>Recommendation: If such reputational risks are identified, mitigation measures should be incorporated. Ideally the potential for conflict of interest should be managed out (in the case of JEREMIE perhaps by EIF being less involved in the estimation of gaps and proposals for the size of</p>	<p>This perception of conflict of interest was very marginal; EIF was essentially perceived as a neutral operator, able to share best practice.</p> <p>The conclusions of the GA gave various possibilities including a Holding Fund not managed by EIF which in some cases has been implemented. Art. 44 clearly indicates the options for nominating the holding fund manager.</p>

	Observations and Recommendations	Response of EIF
	funds). If it cannot be removed entirely then the issue needs to be openly addressed in publicity material and reassurances given regarding the independence of the EIB Group.	Currently, EIF's matrix structure mitigates this marginal conflict of interest.
3.3	<p>Influence on regulation and eligibility</p> <p>Observations: Several MAs expected that the EIF, because of its perceived proximity to the EC, would be able to provide interpretation of the regulations or the eligibility of various products (even to the point of expecting the EIF to take responsibility for such eligibility) during the JEREMIE initiative. This was not a valid expectation. The EIF took various opportunities to clarify that whilst it would be proactive in influencing the progress made on such clarifications from the EC (and was successful in doing so) it could not provide such clarifications itself. Nevertheless the expectation persisted and caused some discontent when it was not met. As initiatives such as JEREMIE should not damage the reputation of the EIB Group, such risks need to be managed.</p> <p>Recommendation: If such reputational risks are identified, mitigation measures should be incorporated – in this case through a targeted information campaign. EIF needs to explain its role well and those of the other parties to the initiative. Without seeming to dodge responsibility or shed blame upon others the limits on the responsibilities of the EIB group, and those which must remain with others such as the MA and the EC, must be spelt out at every opportunity particularly where the message has been shown by past experience to be difficult to absorb.</p>	<p>As stated by EV, EIF continues to seek proactively clarification on regulation on behalf of MA to ease implementation. However EIF feels that its role as Holding Fund Manager is well understood by the MAs and therefore EIF cannot, nor is expected to provide clarifications on the regulation. The division of responsibility between EIF (as HF manager) and MA is clearly outlined in the Funding Agreement.</p> <p>One manifestation of this division of responsibility is through EIF's role as a (silent) observer in working groups such as COCOF, where only EC and MS are active members.</p>
4	EIF MANAGEMENT	
4.1	<p>Filing and document management</p> <p>Observations: Filing procedures were only set up for fund implementation. For the Evaluation Phase a fair amount of information remained on individual drives or in e-mail boxes, and was not systematically filed and not accessible efficiently. This scattered nature of the way in which documentation on the Evaluation Phase was kept involves a major operational risk.</p> <p>Recommendation: EIF should set up filing and documentation systems which allow for the constitution of an audit trail and allow for the efficient access to information.</p>	<p>It should be noted that during the phase of evaluation, EV received all requested documentation from EIF and therefore any problems that existed in relation to filing in the past did not and have not had an impact in the implementation of EIF's role in the evaluation phase of JEREMIE.</p> <p>EIF has gone to significant lengths to improve this system over the past few years and has successfully implemented the improvements necessary.</p>

	Observations and Recommendations	Response of EIF
4.2	<p>Hiring consultants</p> <p>Observations: Part of the work conducted during the Evaluation Phase was contracted out to a large number of consultants. Although contracts were partly standardised, given the number of contracts to be signed (over 50) this was not the most efficient solution.</p> <p>Recommendation: If in future the EIF is confronted with having to manage a large number of small consultancy contracts for studies, it should consider alternative solutions which might be more efficient whilst leading to the same result. Possible options include the use of framework contracts or making use of existing observatories or networks in the area of SME research or innovation policy, which would already be co-financed by the EC.</p>	<p>Framework contracts, at the time, were not realistic because requests for national and regional GAs had to be initiated by MAs and, given the sheer number of regions; the number of requests was not predictable. EIF will consider during future initiatives a large framework contract for consultants where feasible or possible.</p>
5	FUTURE JEREMIE PHASES OR OTHER FE INITIATIVES	
5.1	<p>EIB Leverage</p> <p>Observations: The EIF was instrumental in facilitating the EIB co-finance at holding fund level, which made JEREMIE attractive to regions in one country. However despite its appeal it has not been applied elsewhere</p> <p>Recommendation: Opportunities for rolling out this model elsewhere should be explored jointly with the EIB.</p>	<p>As EIF highlighted to EV during the evaluation process, this is indeed an attractive solution, however, for the time being, EIB has not decided to apply this elsewhere.</p>
5.2	<p>Economies of Scale</p> <p>Observations: Through the Evaluation Phase the EIF has developed a workable model for an SPV holding fund, used in two cases so far, a set of standard financial products readily adaptable to different markets and a template for the funding agreement between MA and fund manager.</p> <p>Recommendation: To maximise the benefits of these developments and increase the overall cost-effectiveness of the Evaluation Phase the opportunities for wider dissemination of their use in the remainder of this programme period or the next should be explored.</p>	<p>The balance between advantages and disadvantages (complexity, risk) has to be maintained and for JEREMIE this recommendation is entirely not advisable - this set-up is full of complexity and risk as also highlighted by EIF's auditors.</p> <p>The time required to set up such complex structures should also be taken into consideration</p>
	<p>EIF Input to Future FE Regulations</p> <p>Observations: The EIF has learned a great deal about the practical implications of regulations on implementing FE. It also has a good idea of what the Member States might seek from future regulations (this includes the possibility of a separate regulation for FE with different and more appropriate controls from the regulations designed</p>	<p>EIF has been working closely with EC to obtain clarification on the regulation.</p> <p>Through the development of good relations – for 6 years now - with DG REGIO, EIF is being consulted where required in the revision of the regulation. These contacts benefit the</p>

	Observations and Recommendations	Response of EIF
5.3	<p>for grant programmes).</p> <p>Recommendation: EIF have been involved to some extent in the consultation process and working groups for future regulations and it is recommended that a continued effort is made to have EIF included as far as possible.</p>	<p>whole Group (i.e. including JESSICA). This should ensure a better framework for the future and a smoother implementation of the next programming period.</p> <p>It must not be forgotten that the use of financial engineering through a Holding Fund was a relatively new initiative which required numerous discussions and meetings with DG REGIO to clarify certain issues and hurdles. (Although according to Commission regulation 448/2004 Rule 8 even in programming period 2000-2006 the Structural Funds might co-finance the capital of venture capital holding funds under certain conditions. 'Venture capital holding funds' meant funds set up to invest in several venture capital and loan funds.)</p>
5.4	<p>Capacity building</p> <p>Observations: Although it was not an objective of the Evaluation Phase to provide this, the evaluation shows a clear demand from the MAs for training and capacity building on FE. Capacity building is deemed important given the likelihood that new holding funds will be established in the future which are not managed by EIF. Knowledge transfer has already taken place on the funds managed by EIF, with future secondments planned to increase this knowledge exchange.</p> <p>Recommendation: In addition to the potential advisory role for the EIF cited above the experience built up on JEREMIE positions it well to play a key role in future capacity building. It is strongly recommended that EIF, in line with its public service objectives, makes available this experience to a wider audience. An internal working group should be set up to reflect on the exact products and formats to be adopted to provide such capacity building.</p>	<p>Capacity building has been provided to some institutions, and other counterparts. This however requires time and staff and was not covered under the JEREMIE CAs - nor could such activities be awarded directly to EIF (see recommendation 2.6)</p> <p>Sharing of best practise is an ongoing process in EIF activity via formal and informal platforms.</p> <p>With regards to EIF's future role, it is envisaged that it may span from full holding fund management to pure advisory activity – the determination of which is part of EIF (RBD's) normal day to day strategic activity.</p>

INTRODUCTION

This evaluation assesses the Evaluation Phase of the JEREMIE initiative as it relates to EIF. It analyses the process of the identification of gaps in SME finance in the EU27 countries and regions as well as all complementary activities that EIF and the EC deemed necessary to facilitate subsequent holding fund implementation. This evaluation is being undertaken following the latest update of the Operations Evaluation (EV) Strategy and the subsequent revision of the EV Programme for 2010.

The evaluation has two primary functions. Firstly, to provide lessons learnt for EIF and the EIB Group more broadly in view of future initiatives and, secondly, to increase transparency to EIF governing bodies in relation to their investment in the JEREMIE initiative.

The structure of this report is as follows. The next chapter sketches the background of the JEREMIE initiative and proposes a reconstruction of the objectives of JEREMIE's Evaluation Phase as (1) these were not explicitly spelled out and (2) the Evaluation Phase aims evolved with time. Chapter 2 provides the evaluation approach and methodology. Chapters 3 to 6 discuss, respectively, the relevance, effectiveness, efficiency and sustainability of the JEREMIE Evaluation Phase. Chapters 7 and 8 concentrate on EIF's role by assessing respectively its contribution to, and the way in which it managed, the Evaluation Phase.

1 BACKGROUND

1.1 THE JEREMIE INITIATIVE

Improving access to finance and risk capital for Small and Medium sized Enterprises (SMEs) in the regions of the EU was a key element of the Lisbon Agenda (2000). Its importance was reiterated by the Commission's Communication on Cohesion Policy, mid 2005.⁴ Against this background, the European Commission (EC) and the EIB Group launched a new joint initiative "JEREMIE" (Joint European Resources for Micro to Medium Enterprises) to improve access to finance and to develop micro-credit for SMEs in the regions supported by the ERDF and ESF funds in the forthcoming period. These initiatives were presented and discussed at a Ministerial meeting and updated proposals were presented to the EU regions at a conference held in Brussels, end November 2005.

A Memorandum of Understanding (MoU) was signed between EC and EIF on 30 May 2006. The concepts of "financial engineering" and "holding fund" were subsequently included in the Structural Funds Regulation.⁵ EIF started to work within the framework of JEREMIE in January 2006 supported by the EC through a contribution agreement.

The JEREMIE initiative was planned to proceed in two phases

- the "Evaluation Phase" – to identify market gaps in the provision of SME finance at national or regional level; this was to extend over 2006 and 2007 and was co-financed by EC and EIF;
- the "Implementation Phase", planned to start in 2007, during which "JEREMIE Holding Funds" (JHF) were to be implemented in response to the gaps identified. Holding funds are set up to invest in several other funds (venture capital funds, guarantee funds, loan funds, etc.). JHF implementation was to be financed by individual Managing Authorities (MAs) from SF, own funds and possibly third parties (e.g. private funding).

During the Evaluation Phase, any MA could request EIF to carry out a "JEREMIE Evaluation" to identify the need for particular Financial Instruments and detect market failures in fulfilling those needs. Such a *Gap Analysis (GA)*, as it was subsequently called, was free of charge for the MA: costs were shared

⁴ "Cohesion Policy in support of growth and jobs, Community Strategic guidelines 2007-2013" (COM(2005) 0299 05/07/2005)

⁵ Council Regulation (EC) No 1083/2006, 11 July 2006

by the EC (75%) and the EIF (25%).⁶ EIF's obligations for the Evaluation Phase were fixed in annual contribution agreements between the EC and the EIF. Each GA was to result in an Action Plan comprising recommendations to the MA regarding the contents and structure of a possible JEREMIE Holding Fund.

It was subsequently up to the MA to decide whether to create a JHF, to pursue financial engineering in another way or to not take any further action. In the case of a JHF, the Holding Fund Manager could be EIF or a third party. Where EIF is not selected as fund manager it can still act as advisor.

Added value of JEREMIE as compared to FE or SME instruments

- designed to optimise the use of ERDF funding and simplify the management of financial engineering by the MA.
- operates as a toolbox of financial instruments enabling regions to set up targeted financial actions in favour of SMEs.
- contributions from the national or regional operational programmes to fundholders will be eligible for interim up-front payment by the ERDF, which will facilitate the financial programme management.
- JEREMIE investments in SMEs can take place over a nine-year period, between 2007 and 2015, which will ensure a sustained investment opportunity.

Source: JEREMIE "Q&A" to JSC 1st meeting, 12 July 2006

EIF completed 55 GAs. By 31 Dec 2010, 31 JHFs existed in the EU, 11 of which national. The total volume allocated to the 31 JHFs was about EUR 3.7 bn. EIF manages 12 out of the 31 JEREMIE mandates, 8 of which national, 4 being regional. EIB co-finances 4 regional JEREMIE schemes, all located in one country and none having EIF as manager. Not all GA led to a JHF. Inversely, some JHFs exist without being preceded by a formal GA. However, in these cases a national GA was available.

1.2 LEGAL ASPECTS

The legal base for the establishment of JEREMIE Holding Funds supported by Structural Funds finance is constituted by the opportunity of "financial engineering" offered to Member States and regions to use part of Structural Funds to create a "holding fund" as per Article 44 of the Structural Funds regulation 1083/2006. Recital 41 of this regulation introduces both concepts – without referring to JEREMIE⁷:

It is appropriate to ensure that improved access to finance and innovative financial engineering are available primarily to micro, small and medium-sized enterprises [...]. Member States may decide to set up a holding fund through the award of public contracts pursuant to public procurement law, including any derogation in national law compatible with Community law. In other cases, where Member States are satisfied that public procurement law is not applicable, the definition of tasks of the EIF and the EIB justifies that Member States award them a grant that is a direct financial contribution from operational programmes by way of donation. Under the same conditions, national law may provide for the possibility of awarding a grant to other financial institutions without a call for proposal.

Art. 44 of Council Regulation 1083/2006 "Financial engineering instruments"

As part of an operational programme, the Structural Funds may finance expenditure in respect of an operation comprising contributions to support financial engineering instruments for enterprises, primarily small and medium-sized ones, such as venture capital funds, guarantee funds and loan funds, and for urban development funds, that is, funds investing in public-private partnerships and other projects included in an integrated plan for sustainable urban development.

When such operations are organised through holding funds, that is, funds set up to invest in several venture capital funds, guarantee funds, loan funds and urban development funds, the Member State or the managing authority shall implement them through one or more of the following forms:

- (a) the award of a public contract in accordance with applicable public procurement law;
- (b) in other cases, where the agreement is not a public service contract within the meaning of public procurement law, the award of a grant, defined for this purpose as a direct financial contribution by way of a donation:
 - (i) to the EIB or to the EIF; or
 - (ii) to a financial institution without a call for proposal, if this is pursuant to a national law compatible with the Treaty.

The implementing rules of this Article shall be adopted by the Commission in accordance with the procedure referred to in Article 103(3).⁸

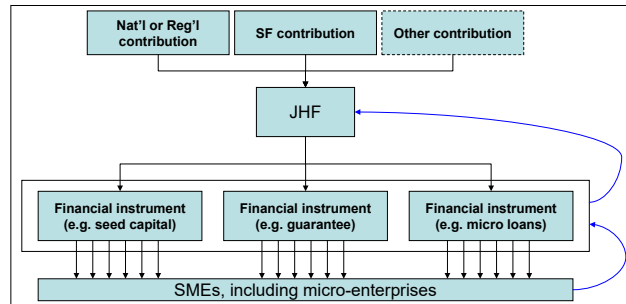
⁶ In 2006 and 2007; later the ratio became 85:15.

⁷ Or JESSICA for that matter, based on similar principles.

⁸ Article 103 refers to the Coordination committee of the funds (COCOF).

The principles of a JEREMIE Holding Fund are thus as follows

- MAs can use part of the “competitiveness and innovation” funds as defined in their ERDF operational programmes (OP) to finance financial instruments in order to improve access to finance for SMEs. Also ESF funds could in principle be used.
- They may do so by establishing a JEREMIE Holding Fund (JHF) through which financial intermediaries can be funded, serving, ultimately, SMEs.
- The establishment of a JHF should be justified by an action plan in response to the needs and gaps existing at regional/national level and summarised in the GA. A JHF should contribute to filling identified gaps by establishing the appropriate financial mechanisms.
- JHFs can be managed by the EIF or by financial institutions. In the case of EIF, the grant is considered a “donation” as per the regulation. This donation can also be extended to other financial institutions without competitive bidding as long as it is pursuant to national law compatible with the Treaty. In other cases public procurement rules apply.
- Eligible expenditure of the JHF includes the total expenditure in establishing or contributing to JHFs where such expenditure contributes to investments made in enterprises, guarantees provided or covers eligible management costs⁹. If expenditure does not contribute to the benefit of the final SME beneficiary, it would not be eligible.
- EIB can provide loans to co-finance the national/regional share of the JHF. This is not limited to JHFs managed by EIF, but only conditional upon the business plan, due diligence and quality of the JHF Manager.
- Financial engineering instruments should either be set up as an independent legal entity (e.g. Special Purpose Vehicle – “SPV”) or as a separate block of finance within a financial institution. In the second case it needs separate accounts.

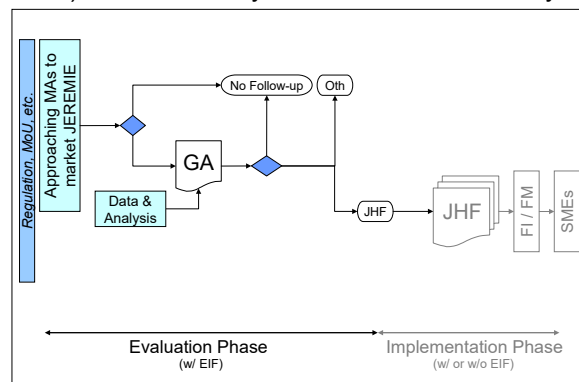


DG REGIO issued three “Guidance Notes on Financial Engineering Instruments under Article 44 of Council Regulation 1083/2006”¹⁰ in order to provide interpretations of the regulation.

1.3 OBJECTIVES AND EXPECTED OUTCOMES OF THE JEREMIE EVALUATION PHASE

1.3.1 JEREMIE Evaluation Phase initial intervention logic

The present evaluation assesses JEREMIE’s Evaluation Phase as it relates to EIF. The Evaluation Phase was initially foreseen to last two years (2006-2007) but for a variety of reasons extended beyond this period. With time it encompassed an increasingly broad variety of activities performed by EIF in addition to GA production. The present evaluation caters for these changes and a first step therefore was to analyse the moving objectives of the JEREMIE Evaluation Phase in order to reconstruct the intervention logic and its dynamics, as follows.



Whereas JEREMIE’s overall objectives are clearly defined – to increase SME access to finance – the objectives of the JEREMIE Evaluation Phase *per se* are not explicit. The MoU on the JEREMIE initiative concluded between EC and EIF states that JEREMIE Evaluations and Action

⁹ The EC made a proposal for amendment of regulation 1083/2006 (cf COM(2009)384 final of 22.7.2009) to extend this to management fees.

¹⁰ COCOF/07/0018/01, COCOF/08/0002/03 and COCOF/10/0014/04.

plans should be used for “*the preparation of operational programmes for the period 2007-2013*” (p.2). These OPs would “*set out objectives and the relevant resources for actions to improve access to finance for micro to medium enterprises*”. Finally it states, “*for operations to improve access to finance for micro to medium enterprises under the JEREMIE initiative Member States or managing authorities must select a suitable Holding Fund.*”

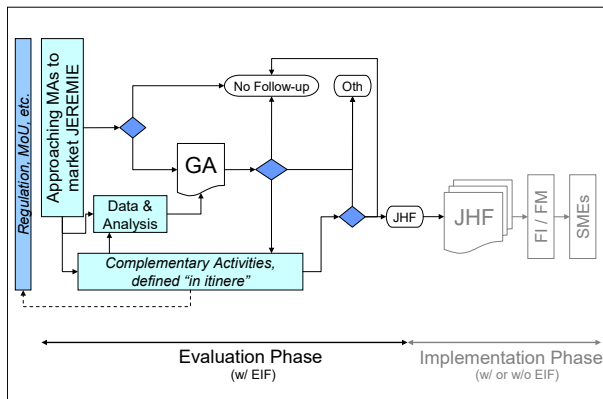
The **initial intervention logic** of the Evaluation Phase, based on the MoU could hence be described as follows. The Evaluation Phase should yield a **description of gaps** in supply and demand of SME access to finance, across the EU. This should lead to **Action Plans with recommendations** to prepare the ground for the establishment of JEREMIE Operations, i.e. JEREMIE Holding Funds (see exhibit).

1.3.2 The widening scope of the Evaluation Phase 2006-2009

The role of EIF with regard to the Evaluation Phase is described in subsequent contribution agreements signed between the EC and the EIF. Considering that no Evaluation Phase activities were taking place in 2010 any longer, the budgeted contribution 2006-2009 amounts to EUR 21.2 m, about 20% of which would be paid for by the EIF (actual costs amounted to EUR 15.7 m). The 2006 contribution agreement reflects strictly the single objective corresponding to the initial intervention logic outlined above (except that it no longer restricts JEREMIE operations purely to holding funds and could cover other financial engineering actions and products). It refers to *the* Evaluation and *an* Action Plan rather than to the plural. The scope of EIF’s action rapidly widened in subsequent contribution agreements to cover evaluation studies, *additional* studies, “any other actions” serving the previous two, and, in 2009 even TA on structuring of JEREMIE Operations to MS/Regions that required it, therewith extending the scope to include facilitation of the Implementation Phase of JHFs for individual MAs.

JEREMIE objectives as per the subsequent contribution agreements

Contribution Agreement for 2006 (est'd Oct 2006)	Contribution Agreement for 2007 (est'd Dec 2007)	Contribution Agreement for 2008 (est'd Oct 2008)	Contribution Agreement for 2009 (est'd Oct 2009)
EUR 3.5 m	EUR 7.5 m	EUR 6.7 m	EUR 3.5 m
<i>One objective:</i> to carry out <i>the</i> Evaluation comprising an analysis of the gap between supply and demand for financial engineering actions and products [including] operational recommendations for appropriate action [leading to <i>an</i>] Action Plan	<ul style="list-style-type: none"> 1- completing the JEREMIE Evaluation studies [plural]; 2- launch pilot study in selected MS with view to develop the micro credit action plan of the EC [within] the JEREMIE initiative; 3- any other actions required to achieve the previous two objectives 	<ul style="list-style-type: none"> 1- completing the "JEREMIE Evaluation studies" and launching new ones; 2- launching and completing studies with a view to develop the micro credit action plan of the EC [within] the JEREMIE initiative; 3- any other actions required to achieve the previous two objectives 	<ul style="list-style-type: none"> 1- providing TA to MS and regions [requiring] additional advice on structuring of JEREMIE Operations; 2- completing evaluation studies; 3- completing studies on micro-credit [within the] JASMINE initiative; 4- contributing to JEREMIE networking platform; 5- any other actions...



- Activities anticipating the establishment of the JHFs**
- Assessing legal feasibility of JHFs under national and EU legislation, ultimately leading to modifications in regulation
 - Clarification of acceptable HF structure
 - Definition of (new) financial products to be offered under JEREMIE
 - Clarification of eligible costs
 - TA / Advice beyond the GAs per se
 - Setting up dedicated EIF organisation

The table above shows that the scope of JEREMIE's Evaluation Phase broadened considerably with the years. Complementary activities were requested by the EC or inspired by discussions between EIF, Member States and Regions. This concerned regulatory matters and adaptations of EU and national regulation; the type of instruments to include in holding funds; and eligibility criteria. Additionally, according to EIF representatives, the credit squeeze of autumn 2008 and the resulting economic crisis led to redefining the scope of JEREMIE itself in terms of the FEIs proposed, when needs went from longer to short term finance.

The complementary activities developed by EIF in response to these issues can be grouped into two main categories. On the one hand EIF conducted "cross-cutting" activities, such as general marketing actions regarding JEREMIE, generic studies (e.g. relating to micro-credit), all typically related to the identification of market failures and finance needs overall. On the other

hand a set of activities emerged which clearly anticipated the concrete establishment of the Holding Funds (see insert) but which did not constitute part of the Implementation Phase activities. Hence, starting from a linear view on how JEREMIE would evolve (from Gap Analysis via Action Plan to JEREMIE Holding Fund), activities undertaken by the EIF became increasingly diverse and the relative effort devoted to GAs strongly decreased.

The GA was therefore generally not the only support from, nor the final recommendation made by, EIF to MAs as part of the JEREMIE process. Following its delivery, EIF often entered into discussions with the MAs over the recommendations, availability of funds from OPs, priorities of the MAs, feedback from the market and feedback from the EC over eligibility of certain financial products. The FEIs finally proposed to be included in the JHF could change as a result of these discussions and, in order to understand the outcomes of the Evaluation Phase, these discussions are taken into account in the present evaluation. Implementation of JHFs per se falls however outside the scope of the present evaluation as it is too early to assess

1.3.3 De facto outcomes of the Evaluation Phase

The different observations outlined in the previous sections allowed the EV team to better define the *de facto* outcomes of the Evaluation Phase. From that, the definition of the objectives against which to evaluate the JEREMIE Evaluation Phase were sharpened and the evaluation approach designed.

From the viewpoint of an MA, as main beneficiary of the JEREMIE Evaluation Phase, the Evaluation Phase could lead to 4 possible outcomes as they relate to EIF:

- An MA declined the offer to have a GA elaborated by EIF;
- An MA accepted the offer to have a GA elaborated but decided not to continue with a JHF;
- An MA accepted the offer to have a GA elaborated and decided to establish a JHF; this could be with EIF as a fund manager or another fund manager;
- An MA had no dedicated GA but nevertheless proceeded with a JHF. In such cases there normally was a national GA.

All of these outcomes could possibly be classed as successful – for example, an MA might decide on a fully informed basis that a JHF was not suitable. Equally the MA could decide to pursue financial engineering by other means under their own initiative which would not necessarily involve EIF.

2 EVALUATION APPROACH AND METHODOLOGY

2.1 AIM OF THE EVALUATION

This evaluation has two primary functions. Firstly, to provide lessons learnt for EIF and the EIB Group more broadly in view of future initiatives and, secondly, to increase transparency to EIF governing bodies in relation to their investment in the JEREMIE initiative.

The present evaluation assesses the Evaluation Phase in terms of the process of Gap Analysis production as performed by EIF as well as the complementary activities that EIF has undertaken to further prepare for JEREMIE's Implementation Phase.

In order to make an assessment possible in the absence of explicit objectives for the JEREMIE Evaluation Phase, it was necessary to reconstruct the implicit objectives of this phase on the basis of the actual activities carried out (under the agreed contribution agreements) and the different policy documents that relate to the role of EIF in the JEREMIE initiative. Taking these into account, the following *implicit* objectives were derived:

- To put MAs in a position to take an informed decision on whether to proceed with financial engineering, whether to adopt a JEREMIE holding fund and, if so, which FEIs to include in that fund;
- To ensure that potential obstacles to implementation (compatibility with regulations, eligibility, definition of types of FEIs, etc.) were resolved before putting in place a JEREMIE Holding Fund.

Against these objectives, the evaluation applies the standard evaluation criteria used by EV, namely:

- **Relevance:** did/do the objectives respond to identified needs?
- **Effectiveness:** were the objectives achieved?
- **Efficiency:** were the objectives achieved timely, and at reasonable cost?
- **Sustainability:** will the effects persist in the longer term?
- **EIF Contribution:** what was the value added of EIF participation, in terms of institutional and technical contribution, financial contribution and financial facilitation?
- **EIF Management:** how did EIF handle of the operation at each stage and what was the cooperation and coordination with its main counterparts?

These evaluation criteria could be rated "excellent", "satisfactory", "partly unsatisfactory" and "unsatisfactory" except for EIF contribution where this was "high", "significant", "moderate" or "low". How each of these criteria was defined in detail will be discussed ahead of each chapter discussing the evaluation results for each individual criterion.

2.2 EVALUATION APPROACH AND SAMPLING

2.2.1 Approach

The different steps of the evaluation were as follows:

- **Desk Study.** The launching and structuring of the JEREMIE initiative, the 55 GAs as well as the complementary activities were studied through document analysis.
- **Exploratory interviews and a workshop with EIF staff** in order to be able to refine scope of evaluation and approach.
- **Field work**, consisting of:
 - *Interviews with representatives of EC DG REGIO geographical desks.* This concerned the 10 cases subject to in-depth evaluation (see next point) as well as the "financial engineering" unit (D3) of DG REGIO.
 - *In-depth evaluation.* A sample of GAs leading to JHFs (both EIF and non-EIF managed) was analysed through additional documentary analysis and interviews with EIF staff, relevant EIB staff (for one case) and stakeholders in the member states (mission on site). Hence 10 in-depth evaluations were made leading to 10 individual reports. These cover

16 GAs¹¹ and JHFs in 9 different countries. The sample was drawn with the aim to obtain a great *variety* of cases with regard to the following elements: EU15 vs. EU12 / new member states; both regional and national GAs and JHFs; and both EIF vs. non-EIF managed JHFs.

- *Telephone interviews.* A sample of MAs having had a GA without follow-up as well as a sample of MAs which never requested a GA was interviewed by telephone (as there had been no follow-up to the GA, field missions were deemed not justified here). Sample rates for these two categories are provided below; results of the two telephone surveys are provided in Appendix 1.
- A second round of interviews with EIF staff was conducted to discuss the results of the in-depth evaluations.

2.2.2 Sampling

In total, EIF co-financed the elaboration of 55 GAs under the contribution agreement. However, from EIF documents studied it is possible to identify 71 concrete cases for which EIF actively approached the responsible national or regional authorities and established some form of contact with a view to performing a GA, establishing a JHF, or both.¹² This process led to the following outcomes and final sample (status at the end of the evaluation, March 2011).¹³

Sampling strategy

Type	# cases	EV sample	%	Data collection tool
Gap Analysis without follow-up by a JHF	32	13	40	Telephone interviews
JEREMIE Holding Fund				
Managed by EIF	12	5	42	In depth evaluations
Managed by other fund manager	19	11	58	In depth evaluations
No Gap Analysis	8	6	75	Telephone interviews
Total cases described by EIF	71	35	49	
Total Gap Analyses	55			

¹¹ In one country were initially one JHF was thought to exist there appeared to be one national and six regional JHFs, stemming from 7 GAs for the in-depth evaluation in this country.

¹² EIF refers to 67 “assignments” as these take one country at country level not at regional level even though it was approached at regional level; furthermore this does not include two regions with a national (but no regional) GA with which discussions were held without ultimately leading to a JHF.

¹³ Sampling rates at the start of the evaluation were slightly different from the ones given in the table as, at the start of the present evaluation, in some cases it was unclear whether or not JHFs were established and also new JHFs have been established while the present evaluation was ongoing. This had an impact on the sample rate for the category of JHFs managed by fund managers other than EIF. The figures in the table reflect the status of JHF implementation in March 2011.

A ZOOM ON THE GAP ANALYSIS

Being the initial, and as such an important, building block of the Evaluation Phase, the GA report and the way in which it was designed need to be explained.

There was no readily available methodology for the GA. The GA design – the formal name of which was “JEREMIE Evaluation” – was driven by the holding fund concept, which implied a mix of different EIFs. The analysis of gaps was to be structured around different equity and debt instruments.

The GA reports are all formatted in the same way and follow the same structure:

- Foreword
- Executive summary (plus one in English if the report is in the national language)
- Background information and context analysis for the region/country of concern, covering generally issues such as macro-economic situation, social and regional aspects, SME population characteristics with relevant breakdowns (e.g. size, region, sector), SME support institutions (sometimes discussed under the next heading)
- A section on current national / regional SME financing priorities and existing initiatives
- The supply and demand analysis and the identification of market failures. This section revolves around the financial instruments that can possibly be applied. It is preceded by a subsection “methodological framework” which in about two-thirds of the reports starts with a standard paragraph. Subsequently the different instruments are analysed, in terms of an inventory of local supply and demand, to the extent that the available data allow making statements on this (i.e. whereas supply is often quite clear, demand is more difficult to grasp).
- Proposal for the portfolio i.e. allocation of funds to different financial instruments
- Sometimes, inclusion of a “next steps” section which prepares more concretely for the implementation of a possible holding fund, distributes the roles between different actors (MA, EIF, etc.), and provides a timetable. This is what remains of the initially intended “Action Plan”, stipulated in the MoU between EIF and EC, that is, no explicit Action Plans were normally established after the GA, although fund preparation normally starts with an “investment strategy” which is generally appended to the funding agreement between MA and fund holder.

Despite the template which was used for all 55 cases, the contents of the reports varied in terms of the level of detail and depth provided. In some cases regional reports within one country do resemble very much whereas for others they are much more specific. Also the underlying methodology, which was normally to be based on desk research only, in several cases included primary research (mainly interview material with actors from the financial world and/or assessments of SME finance needs with the help of surveys in a very small number of cases).

Design process of the GA

EIF developed the GA during the first year starting from the Spanish cases.
 Feb 06 – First template on Extremadura case – very rudimentary and insisting on the analysis rather than the instruments; this remained internal document
 Mar 06 – Methodology workshop, to which all JEREMIE EIF staff is invited and also a representative of KfW (EIB colleagues, and EBRD and CEB are sometimes copied on early correspondence)
 Jul 06 – first draft report presented to JSC; the standard structure takes shape and proposal to make template made
 Oct 06 – GA template structure submitted to JSC, together with GA draft reports for a second and third assignment; this stabilises the GA template which takes its final form.

List of instruments concretely cited in the GAs

- Guarantee schemes for micro finance
- SME guarantee scheme(s) other than microfinance
- Venture Capital funds (VC)
- Securitisation
- SME export support
- Risk Capital funds (RC)
- Technology Transfer funds (TT)
- SME lending schemes
- Microfinance schemes (often “social” i.e. targeting unemployed)
- Business Angel funds (BA)
- Seed capital to innovative SMEs
- Support to strong potential SMEs

3 RELEVANCE

The overall aim of the JEREMIE initiative is to increase access to finance of SMEs sector by using SF funding. SME support in the form of grants had been a part of Cohesion Policy in previous funding programmes. However the EC decided that a greater and wider use of FE would stimulate further growth and therefore included specific mention of FE and the possibility of a holding fund in the 2007-2013 regulation. JEREMIE was set up to promote these new opportunities. This section of the evaluation report will assess how relevant the JEREMIE Evaluation Phase (both as originally designed and as it developed over time) was to meeting these objectives. In particular it will assess:

- Relevance with regard to EIF's Mission
- Relevance of performing JEREMIE Evaluations, i.e. in view of individual beneficiary needs
- Relevance of the design of the JEREMIE Evaluation Phase

3.1 RELEVANCE TO EIF'S MISSION

3.1.1 Match with EIF aims

There is no specific EIF mandate for JEREMIE. The initiative is covered by annual contribution agreements between EC and EIF agreeing the scope of work and the amount the EC will pay as their contribution towards costs. In order for the EIF to participate therefore the initiative should be relevant to the EIF's aims,¹⁴ which are to:

- promote the implementation of European Union policies, notably in the field of entrepreneurship, technology, innovation, growth, employment and regional development;
- generate an appropriate return for their shareholders, through a commercial pricing policy and a balance of fee and risk based income.

The JEREMIE initiative by its nature matches EIF's first aim well. However the second aim states that EIF should make an appropriate return. This is not in itself incompatible with the objectives of JEREMIE: the Evaluation Phase would be performed at cost, with some of that cost absorbed by the EIF. In the Implementation Phase a reasonable management fee for whichever organisation was chosen to manage the funds was consistent with the more market-oriented nature of the initiative.

3.1.2 Match with EIF core business and competences

JEREMIE seeks to promote the same policy areas as EIF and stimulation of the sector would have future benefits to EIF's business. Partnerships between the EC and the EIB Group are increasingly common, underlined by the financial contribution the Group is willing to make to such partnerships. In the medium term the investment made in the Evaluation Phase would lead to funds under EIF management which is consistent with EIF's core business.

There is a clear match between the areas of expertise of the EIF and those targeted by JEREMIE:

- EIF had expertise in financial engineering
- EIF had an existing mandate to support EU policy
- EIF had an international reputation which could have a beneficial signalling effect

¹⁴ As per what EIF indicates to be its "statutory objectives" (http://www.eif.org/who_we_are/index.htm). The Statutes themselves (Art.2) refer to three "Tasks and Activities", relative to (1) the pursuit of Community objectives [indicating the modalities (through guarantees and participations) for doing so]; (2) other activities connected with or resulting from the tasks set out in [Art.2 of the Statutes] and (3) that the activities of the Fund shall be based on sound banking principles or other sound commercial principles and practices as applicable ; source: http://www.eif.org/attachments/about/management/EIF_Statutes_30_11_2007.pdf. The appropriate return for shareholders is mentioned in Art.24 of the EIF Statutes.

- EIF was an existing partner on other initiatives (e.g. CIP)

EIF was not the only possible candidate – consultants could have provided some of the expertise required, other IFIs could have offered expertise and reputation – but seemed a logical choice and EIF was sufficiently committed to JEREMIE to offer a contribution towards costs from own resources.

Several Evaluation Phase activities nevertheless fell outside EIF's core business and sometimes outside its core competences. This concerns the large research and analysis exercise represented by the gap analyses; the detailed knowledge required of EU Structural Funds regulations and their interpretation; dealing with regional public authorities which know very little about the financial sector; and the set up of special purpose investment vehicles. These were all new areas which had to be tackled for the first time and it was *de facto* accepted that EIF would need to go through a steep learning curve. Doing so in a high profile initiative such as JEREMIE entailed reputational risk, and, if not mitigated correctly, potential legal and financial risks which could arise through misinterpretations of EU regulations or local laws. However there was no clear alternative partner who would have offered expertise in both areas simultaneously and therefore a period of learning was inevitable. It is clear from the fieldwork that MAs generally expected the EIF to be fully conversant with the regulation, and to have worked out basic eligibility issues with the EC before promoting the initiative and before recommending actions in the GAs.

3.2 RELEVANCE OF PERFORMING INDIVIDUAL JEREMIE EVALUATIONS

The relevance of performing a GA and/or complementary activities in a specific country or region depends on the level of need for this particular phase of the initiative. The following sections analyse the needs that existed for, respectively, the marketing of JEREMIE initiative among the final beneficiaries, the provision of GAs and the complementary activities undertaken. It finishes with a typology of beneficiaries based on their needs for Evaluation Phase activities.

3.2.1 Marketing of the JEREMIE Initiative

There were three areas where EIF was called upon to market aspects of the initiative. Firstly, in most cases, there was limited past experience of EIF itself amongst the public sector counterparts and therefore EIF needed to explain what it did and what it offered in the specific case of JEREMIE.

Secondly, EIF needed to market the initiative to their public sector counterparts. This ranged from helping to explain the details to those who were already substantially convinced to, at the other extreme, hard selling to sceptics who still preferred the grant approach. From the telephone survey over half of respondents saw JEREMIE as a suitable means of supporting SMEs in their country or region and most of the remainder thought it was suitable for SMEs but not in their country or region. The vast majority did not see it primarily as a means to improve absorption of EU funds.

Thirdly, EIF needed in some cases to market the initiative to private sector counterparts who had shown reluctance to support SMEs in the past due to the perceived risks and who would need to be persuaded that JEREMIE offered a more attractive opportunity if the initiative was to be a success.

There was also a role, more educational than marketing, to explain financial engineering in general to the least experienced of counterparts, although the majority of respondents to the survey had some prior experience of using FE, normally with a national agency.

3.2.2 Gap Analyses

Given that this was originally seen as the dominant element of the Evaluation Phase and its most important output, its relative importance to the MAs was surprisingly low. There is relatively little evidence that the MAs were involved in the design and specification of the GAs. A repeated theme in the in-depth case studies performed for the present evaluation is that it was considered useful to have an external party pull together the information and present an experienced and (in the view of some but not all recipients) neutral opinion.

Only two of the 10 MAs classed the GA as critical to their decisions on the size and content of the JHF and one saw it as a formal and somewhat unnecessary hurdle to overcome on the way to establishing

a holding fund. Opinion varied on whether the GA delivered what was expected as those expectations also varied. Some MAs, and some representatives of the EC when interviewed, saw the GA mainly as making the overall case for a switch of some funds to FE and did not expect it to be either an original piece of research or a firm proposal for the size or content of the holding fund – more a first step in a process. The EIF JEREMIE team see the GA in a similar light. There were nevertheless some MAs and DG REGIO desk officers which expected either original research work or definitive solutions.

Finally, EIF was chosen not only to carry out the evaluation of gaps and to promote the holding fund concept, but was also given preferred supplier status in the regulation as they could be appointed as fund managers directly without competition. This combination of the same organisation promoting the idea, evaluating the gaps and then potentially managing the funds (and profiting from doing so) was to create the impression of a conflict of interests amongst some of the MAs. This sometimes affected some MAs' choice of fund manager and their perception of EIF as the most relevant partner for the Evaluation Phase. It was suggested in such cases that the GAs could have been equally well elaborated by consultants, hence avoiding (the perception of) a direct influence of EIF over GA contents and recommendations for a JHF.

3.2.3 Complementary activities

In contrast to the GAs, the complementary activities (see Section 1.3.2 for a list), which were not originally foreseen as a major element, proved to be highly relevant. Where no follow-up occurred after the GA there was little opportunity to undertake complementary activities but where the EIF role continued these became increasingly critical.

Even for those countries and regions where the GA was less critical to the MAs' understanding of the needs, EIF's help in developing the detail proposals post-GA was usually highly relevant as those countries / regions could not have done this on their own.

3.2.4 Relevance typology

On the basis of findings from the in-depth evaluations and the telephone survey, a typology could be developed by EV which allows characterising a country or region with regard to their level of need for Evaluation Phase activities in order to make a decision on whether to implement a holding fund. This typology has five categories described in the following table.

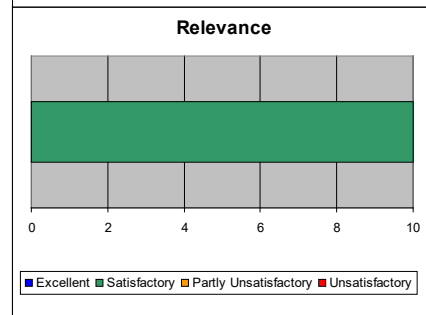
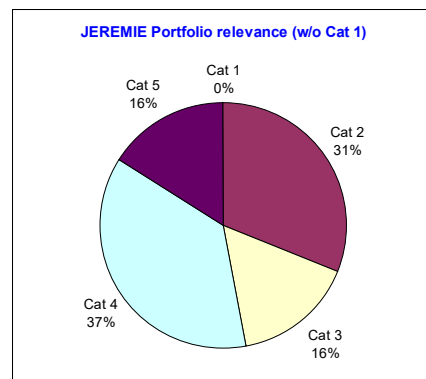
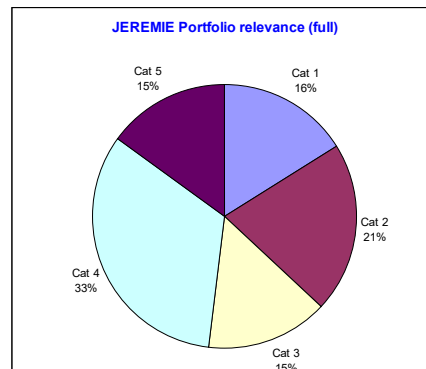
Category	Description	Typical Need for Evaluation Phase
1	"No interest" : The country/region decided not to use EU funds in form of FE. The level of EU funds may be too low so SMEs are supported with state rather than EU funds. Tended to respond negatively to EIF overtures from the beginning.	Low / Absent
2	"Fully experienced" : More established member states, using FE for years and ERDF for FEIs (in 2000-2006) looking to continue/expand programmes in 2007-2013 maybe with a holding fund. Maybe understood holding fund concept but did not see greater flexibility than using local agencies. Did not need GA, some refused the offer but not all. Need only slightly higher than for Category 1.	Low, depending mainly on relevance of complementary activities
3	"Convinced but need help" : Not very experienced, already decided on FE, had done some analysis of gaps and FEIs. Maybe had not grasped the holding fund concept and preferred individual FEIs, or needed international expertise. Relevance of GA was low for the switch to FE, but more influential for the switch to a holding fund; value of the complementary activities to define the FEIs and set up the holding fund structure high.	Average to significant, depending mainly on relevance of the GA
4	"Interested but unsure" : Already decided on switch to FE but unsure of needs and whether to have a JHF. Relevance of the GA in argument for FE low but the relevance to decision on JHF, definition of needs and decision on FEIs high. Complementary activities likely to be crucial.	Significant
5	"Unconvinced" : Government unconvinced that loans and guarantees better than grants, reservations about holding fund. Marketing and GA highly relevant to argument for FE and JHF, complementary activities critical to definition of JHF.	High

Based on the sample for this evaluation (combining in-depth evaluations and telephone survey), the split between the 5 categories for the portfolio is estimated to be as shown.

The chart suggests that the need for Evaluation Phase activities (GA and complementary activities) is judged low (Categories 1 and 2) for nearly 40 % of the cases, meaning that for these groups of beneficiaries the Evaluation Phase activities were not very relevant.

However it could be argued that a fairer assessment would be to remove the Category 1 countries and regions from the analysis, as they declined the offer of a JEREMIE evaluation and the initial efforts made by EIF were necessary to establish that they were in the "No interest" category. This shows (see exhibit) that the need for Evaluation Phase activities clearly existed, albeit to different degrees, in about two-thirds of the cases.

Further insight can be gained from the in-depth evaluation carried out by EV (bar chart). The in-depth reports were carried out for a sample of 10 countries and regions which ultimately implemented a JHF either with the EIF or without EIF. One might have expected some bias towards categories 2 and 3 among those who proceeded without EIF, i.e. those who might be expected to be more confident to work with other fund managers, and for some to have very low needs. However, all 10 in-depth evaluations led to a score of *satisfactory* on relevance, as even where the MA ultimately decided to select other fund managers the Evaluation Phase was found to provide them with assistance they needed. This suggests that even where at first inspection the MA seems self-sufficient, and where the MA themselves claim that EIF support was not essential, there are still areas where it was relevant for EIF to provide support, which backs an overall satisfactory rating for the relevance of the individual evaluation phases.



3.3 RELEVANCE OF DESIGN OF JEREMIE EVALUATION PHASE

The ratings for relevance in the individual JEREMIE evaluations are broadly determined by the state of readiness of the country or region to adopt FE and/or a holding fund before the initiative began. Though the analysis of individual regions and countries show a wide variation in the level of need for a JEREMIE Evaluation, there was clearly enough uncertainty amongst a sufficient number of Member States to justify participation in this phase in advance of the Implementation Phase. It was therefore relevant to undertake the Evaluation Phase, but was the way in which it was designed the most relevant way to meet the objectives?

3.3.1 Identification of Regulatory Issues

A major design flaw was the failure of the Evaluation Phase as initially conceived to deal with the eligibility of the FEIs proposed with the relevant EU regulations or to check the feasibility of the proposals under local law. Perhaps it was not considered feasible or timely to include this in the GA (for fear of delaying the completion of this phase or overloading the resources available) but it should have been flagged up more clearly as an issue to be addressed. There was a clear need for the MAs to be sure that the FEIs they were considering in their OPs were feasible but this was not addressed until much later in the process, and the issues were not always identified or could be solved by EIF (as they related directly to eligibility/regulation). The feedback received from MAs, the EC and the EIF was that this was not recognised as a major problem until after the GAs were completed and the development of funding agreements and more detailed product descriptions had begun.

3.3.2 More Global Approach with Tailored Inputs

The striking heterogeneity of the beneficiaries raises the question of whether a standard approach to all beneficiaries was the best design. The first contribution agreement for 2006 refers to a single JEREMIE Evaluation and Action Plan, as if the intention was to complete an analysis of the global needs of eligible regions. During 2006 the modus operandi of individual GAs and Action Plans for each interested MA emerged. The global approach would perhaps have been less practical for the purposes of tracking progress. Clearly MAs were responding at differing rates and dealing with them separately allowed progress to be made on one whilst others were still deliberating. However this had the effect of making the GA an expected pre-condition to establishing a JHF. As described above having a fully-fledged GA was not always strictly necessary. In some cases a simple second opinion on the MAs' own analysis would have sufficed, in others a much lighter advisory role for the EIF was the more obvious choice for the MA than a role as fund manager.¹⁵ A more flexible approach with regard to the required depth of each analysis might have allowed EIF to focus their resources on the areas of greatest need, might possibly have allowed quicker progress towards establishment of a holding fund in some cases and improved upon the overall relevance of this phase.

The second area in which a more global design might have shown benefits concerns the breadth of the analysis in terms of the FEIs proposed. One of the potential benefits of JEREMIE given in early promotional material was its ability to tailor the FEIs to the specific gaps identified in the GAs and give a bespoke content to each fund to match the needs of the country or region. In reality the list of available FEIs is not so long that there was great variation between the recommendations in different GAs and by the end of the process of refining the holding fund contents, particularly for the EIF managed funds, a relatively small number of similar products made up the majority of the funds (these will be discussed in the next chapter). A focus on a small suite of standard products with local adjustments from the beginning could have achieved some economies of scale and might have opened opportunities for a group which is so far underserved by JEREMIE – small countries or countries with small EU budgets.

¹⁵ Different reasons were given why this advisory role did not emerge in as many cases as was expected – as evidenced by under spending against contribution agreement budgets for advisory work in 2008 and 2009 – which included difficulties of procuring EIF without a competitive bidding process in some jurisdictions and the need for EIF to focus resources on their fund management mandates.

3.3.3 Catching the smaller countries

A number of the respondents to the telephone survey, having a GA but no follow up with a JHF, explained that this was not because they did not want JEREMIE – in fact they had often been very keen in the early discussions – but because they were advised their fund would be too small. The EIF GA would typically advise a minimum fund size in the region of EUR 50-100 m, which the EIF considered the minimum practicable size for a JHF. However in some cases this exceeded the MAs total budget. In exceptional cases the EIF was persuaded to proceed with a very small fund (EUR 5 m initially with a plan to increase it to EUR 20 m) but generally they resisted. So for an MA who received a GA describing a JHF they could not afford and who lacked the expertise to set up a smaller fund on their own their JEREMIE aspirations came to nothing and they were left rather frustrated. It is estimated that 5 countries fall into this category. A design which could have included these counterparts beyond the Evaluation Phase would have increased the relevance of this phase overall.

3.3.4 Coherence with existing initiatives

In most of the eligible countries and regions some form of pre-JEREMIE organisation of public sector support to SMEs existed, predominantly grant-based but guarantees, loans and even equity products managed by national agencies also existed. There may also have been parallel EU programmes or EIF activity (such as the joint EIF/EC facility CIP) in some countries. The JEREMIE activity should be complementary to, compatible with or provided in place of these arrangements. The GA always included a description of the existing major players in these areas and often an explanation of the organisation and relative roles. They did not systematically explain how the JHF would fit in with these arrangements. Sometimes a major national financial institution was described as having a specific role in the holding fund but often this was not the case. EIF representatives have defended this approach by claiming that it was not the role of the GA to propose particular actors for particular roles at the GA stage and that this was an implementation issue to be dealt with in later discussions with the MA. EIF was also very cautious and tried to avoid “competition” with local agencies to deliver certain products.

4 EFFECTIVENESS

Effectiveness is the extent to which a project, programme or initiative succeeds in meeting its objectives. The objective of the JEREMIE Evaluation Phase was to put the MAs in a position to make an informed decision on whether to establish a JHF and, if so, on which FEIs it should contain. The second objective was to make sure the necessary regulatory issues were addressed.

After a brief overview of the current status of holding funds established under the JEREMIE initiative, this chapter assesses the effectiveness of individual JEREMIE Evaluations followed by the assessment of the effectiveness of the Evaluation Phase overall. Effectiveness was assessed taking into account the following sub-criteria:

- The extent to which the country or region was involved in the Evaluation Phase
- The extent to which the partial switch from grants to FE was influenced by the Evaluation Phase
- The extent to which the decision on establishment of a holding fund, and the type of fund, were influenced by the Evaluation Phase
- The extent to which the decisions were better informed as a result of the Evaluation Phase (the “additionality” represented by the GA and other preparatory work over and above what the MA would otherwise have done in preparation for their decision)

Following this logic if a country or region makes the decision to switch funds to a holding fund, in line with the overall objective of the initiative, this does not make the initiative effective if they would have made this same decision anyway. Equally if an MA decides not to proceed with a holding fund and this was based on a correct understanding of the pros and cons of a holding fund gained through the Evaluation Phase, this can be considered effective and leading to a satisfactory outcome.

For the sample of established holding funds, with and without EIF as manager, taken for the in-depth evaluations it has been possible to assess the effectiveness of the GA *and* the complementary activities. For the sample with a GA but no follow up it has only been possible to assess the effectiveness of the GA as this was generally the only support provided.

4.1 JEREMIE HOLDING FUNDS: STATE OF PLAY

Of the 71 cases where EIF approached an MA in 55 of those cases this led to a GA being completed. In 32 cases (60%) a GA did not lead to a holding fund (by the time of publishing this report – some countries and regions are now reconsidering the approach). However, the telephone survey results suggest that in approximately one third of these cases other forms of FE are being undertaken.

Two regions developed holding funds with EIF without a GA and in one case one GA led to the creation of more than one holding fund. As a result, of the 31 JHFs currently existing, 24 are with countries or regions which have had a dedicated GA in the past. The remaining cases had had a national GA not however dealing with the sub-national level specifically. Here other “market tests” must have been made in order to design the holding fund contents and structure.

JEREMIE Holding Funds: Status March 2011			
Member State	Total JHF volume	Regional or National initiative	Fund manager
1 Bulgaria	200	National	European Investment Fund
2 Cyprus	20	National	European Investment Fund
3 France	30	Languedoc-Roussillon	European Investment Fund
4	25	Auvergne	SOFIMA/Chambre de Commerce
5 Greece	250	National	European Investment Fund
6 Hungary	699	National	Venture Finance Hungary plc
7 Italy	90	Campania	European Investment Fund
8	30	Lombardia	Finlombardia S.p.A.
9	60	Sicily	European Investment Fund
10	15	Sicily (ESF)	European Investment Fund
11 Latvia	92	National	European Investment Fund
12 Lithuania	210	National	European Investment Fund
13	58	Lithuania	INVEGA
14 Malta	10	National	European Investment Fund
15 Poland	180	National	KFK
16	126	Wielkopolska	BGK
17	102	Lower Silesia	BGK
18	72	Pomerania	BGK
19	70	Western Pomerania	BGK
20	47	Lodzkie	BGK
21	25	Eastern Poland	BGK
22 Romania	100	National	European Investment Fund
23 Slovakia	100	National	European Investment Fund
24 Slovenia	35	National	Slovenian Enterprise Fund
25 Spain	120	National	ICO
26	235	Andalucia	IDEA
27	50	Cataluña	ICF
28 United Kingdom	210	North West England	Northern Fund
29	171	Wales	Finance Wales plc
30	143	North East England	One North East
31	103	Yorkshire & Humber	Yorkshire Forward
TOTAL	3,678		

The EIF-managed funds represent 39% by number and 32% by value of the total JEREMIE holding funds under management. In terms of volume, more than 80% of EIF’s funds are national, against about 40% of the funds managed by others.

Of the twelve member states having no JHF, 10 are EU15 countries, having relatively small ERDF appropriations.

4.2 EFFECTIVENESS OF INDIVIDUAL JEREMIE EVALUATIONS

4.2.1 In-depth evaluations



The countries or regions subject to in-depth evaluation were selected because they implemented a JHF. Therefore they have all been able to make the decision on whether to establish such a fund and how to do it. This section assesses the extent to which this decision was influenced by the Evaluation Phase. If an MA had already made the decision to set up a holding fund and their final choice of FEIs was not heavily influenced by the GA or subsequent inputs by the EIF this would attract a low rating. If the switch to a holding fund was influenced by the GA and the final size and content of the fund was significantly influenced by the Evaluation Phase this would attract a high rating. The results of

the 10 in-depth reports are summarised in the diagram. 8 out of the 10 countries and regions rank *satisfactory* on the effectiveness of this phase. In the two cases ranked as partly unsatisfactory, in both cases holding funds where the EIF is not the manager, the MA and their chosen managers set up the fund in a way not heavily influenced by the advice given in the EIF GA and subsequent discussions. The contribution of the sub-criteria used to establish these overall ratings are further elaborated below.

4.2.2 Influence of Evaluation Phase on MAs not having a JHF

The ability of the JEREMIE Evaluation Phase to be effective in influencing the MAs decisions is pre-determined to some extent by the openness of that MA to be influenced. In the case of the telephone survey sample the decision (at least at the time of the Evaluation Phase) was not to have a JHF but this was affected to varying degrees by the JEREMIE outputs, as follows.

Some of the MAs had already decided they would not establish a JHF from their first impressions of the initiative. For the 5 countries and 3 regions which declined the offer of a GA their decision was not completely unaffected by the Evaluation Phase as they had preliminary discussions with the EIF and from these concluded that it was not suitable for them. A common feature to all of these MAs is that they had small OP budgets and they either decided that they lacked the critical mass needed for a JHF or preferred their own non-JEREMIE way of supporting SMEs. In fact 6 out of the 8 MAs are undertaking some form of FE under their ERDF budgets but without a holding fund. From the responses to the surveys the decision of the MA seems to have been appropriate but cannot be considered heavily influenced by the Evaluation Phase.

Other MAs were fairly sure that they were not going to have a holding fund and that if they were to use FE they would prefer to do so through a national champion. Such MAs see the national agencies with whom they have established relations as offering the same flexibility as the JHF (though this generally covers smaller and simpler separate operations). Nevertheless they did not turn down the offer of a GA as it was offered free of charge and provided useful additional information. It is estimated from the survey feedback that approximately one quarter of the MAs who had a GA without follow up fall into this category and that in these cases the Evaluation Phase also had limited impact on decision making.

The remainder of the MAs were either open to persuasion or initially keen on JEREMIE and subsequently decided not to proceed based on the feedback they received. In these cases (approximately 75 % of those with a GA but no follow up) the Evaluation Phase was believed to have been potentially influential in deciding the approach to adopt. From the feedback in the survey 8 MAs (about two-thirds of respondents) saw the GA as helpful in making their decision but only one found it critical and 3 found it irrelevant.

A further question is whether on the basis of the information received the MAs were able to make the correct decision – i.e. were they well informed by the outputs of the Evaluation Phase. In roughly one third of cases, the MA considered that the GA misjudged their needs in some way but the remaining two-thirds appreciated the input it provided and are still guided by the GA in some way today. The category where the validity of the advice provided to the MA might be questioned is the group of approximately 5 countries with smaller OP budgets who nevertheless were very keen to have a JHF but were advised by EIF that their fund would be too small. From the JEREMIE Steering Committee (JSC) meetings towards the end of 2007 it can be seen that a divergence of opinion existed here between the EIF and DG REGIO. The EIF clearly wished to focus their efforts on the larger funds whilst DG REGIO was keen that smaller countries should not miss out. In the case of two countries, funds below the size initially required by EIF were established. In other cases it is possible that MAs who were interested in JEREMIE were deterred by the advice that their funds were not feasible when more accurately they were just less cost-effective than the bigger funds.

4.2.3 Involvement of the country or region

Involvement of the MAs is considered important to ensure:

- that the GA recommendations address the perceived problems;
- that the GA shows an appreciation of the specific problems in the country/region rather than being too generic;
- that they fit well within the existing national or regional structure of SME initiatives and that these are taken into account;
- and that the GA draws upon all available sources of information.

Both for the in-depth sample and the telephone surveys questions were put to the MAs to assess their level of involvement. EIF files were also reviewed for evidence of this involvement but rarely yielded any information.

It was already established in Chapter 3 that the MAs were not generally involved in the initial design and specification of the GA. Once the work was underway the MAs were consulted on sources of data and often interviewed by the consultants. Whilst only a quarter felt they were fully involved in the data collection, over half thought that the EIF drew upon all relevant sources. Most found that the GA was specific to their country or region but one third found it too generic. Most found that the structure of existing SME initiatives was taken into account. However on the most fundamental aspect – whether the GA addressed the perceived problems – the sample was equally divided. Half thought the GA was effective in this regard, almost half thought it only partly addressed these problems and one thought it didn't address them at all. Overall a picture of mixed performance emerges – the EIF got it right in a lot of cases but could have produced a GA more attuned to the MA's needs in others.

4.2.4 Switch from grants to financial engineering

In 3 out of the 5 EIF-managed funds subject to in-depth evaluation, and all of the 5 funds managed by others, the MA had already decided to switch funds to FE and therefore the Evaluation Phase was merely supportive of this decision. The trend from the telephone survey results is for two-thirds of the MAs to class the GA as helpful but not critical to their decisions. There are very few cases where a preference for grants was overcome to the point where FE was implemented mainly due to the Evaluation Phase.

4.2.5 Informed decision on the JHF and additionality

Though the number of cases in which the switch to FE was heavily influenced by the Evaluation Phase was low, the incidence of the adoption of a holding fund, the selection of the fund type and the choice and design of FEIs being influenced by the GA and other EIF support activities is much higher. This is indicative of a large number of MAs going into JEREMIE because they had decided they were interested in FE but unsure of how to do it or unsure of the benefits of the JHF model. Even those MAs which ultimately chose other fund managers than the EIF gained significant benefit from the EIF's detailed work on the GA or on subsequent development of the draft funding agreements before the relationship with EIF ended. In all of the 5 EIF managed funds selected for the in-depth reports the Evaluation Phase was effective in helping the MA make an informed decision. For the non-EIF JHFs 3 out of the sample of 5 based their final JHFs to a great extent on what was learned during the Evaluation Phase. In the other 2 cases the MA was much more led by their own ideas of what was needed but still used elements from the GA or complementary activities to define their approach. In all 5 of the EIF managed cases and 4 of the non-EIF cases the additionality of the Evaluation Phase compared to the preparatory analysis the MA would have done anyway is considered high. For the other the MA had already done substantial analysis and the approach adopted was heavily based on that work.

The majority of respondents to the telephone survey considered the GA useful and additional to what they would have done (in some cases describing it as much better quality than they themselves could have achieved). Those who felt the GA missed most of the perceived needs clearly would not have taken it into account in their future planning but a third of the respondents have developed other FE initiatives for which the Evaluation Phase work is useful and several others are coming back to the idea of a JHF. The effectiveness scores were boosted overall by the performance against this sub-criterion.

4.3 EFFECTIVENESS OF EVALUATION PHASE OVERALL

4.3.1 Strategy for which MAs to approach

In assessing the effectiveness of the Evaluation Phase overall it is important not only to aggregate the effectiveness of the individual evaluations but also to assess whether the countries and regions targeted were the most appropriate to achieve the overall objectives.

From the interviews with the MAs, backed up by interviews with the EIF JEREMIE team and the early documentation in the files, it can be seen that there was no systematic approach to marketing the initiative and establishing first contacts across the countries and regions (see Section 8.2.2 for more details). Rather the EIF took a pragmatic approach given their limited resources at the launch of the

initiative and their limited penetration of past business contacts into some of the regions. They made the earliest approaches to countries where good contacts already existed and elsewhere relied more on DG REGIO to facilitate the first meetings.

The expansion of activity over time, and the areas on which they focussed, was guided partly by the reaction EIF received. According to feedback from interviews some DG REGIO country desks supported JEREMIE more vigorously than others; some MAs gave clear signals that they had strong preferences to work with local actors and did not welcome the idea of an outsider such as the EIF becoming involved. As a result efforts were focussed where the chances of a positive outcome were considered greatest. Once the first wave of GAs was underway, with the team established and the level of knowledge and acceptance of JEREMIE much wider, there was greater scope for pursuing the more reluctant counterparts and countries where networks had to be established from scratch, and in several cases the EIF made multiple marketing missions leading to requests for GAs from less enthusiastic counterparts. Nevertheless judgements were made on the chances of ultimate success and in some cases the counterparts were hardly pursued after the initial approaches were rebuffed.

4.3.2 Alternative approach

Could a different approach have had a bigger net effect on the number of holding funds or on the overall amount of ERDF funds switched to FE? There is evidence from this evaluation¹⁶ to support both sides of the argument. Feedback suggests that more could have been done to develop funds in those interested countries with smaller budgets (admittedly with a limited effect on volume but increasing penetration of the initiative). If a more strategic approach had been taken to target some of the more difficult cases with the biggest rewards (perhaps those where the main obstacle was lack of contacts rather than outright reluctance) the overall volume could perhaps have been increased. On the other hand the relatively low level of genuine converts suggested by the survey feedback might have meant that this extra effort would have proved ineffective. On this question the evaluation is therefore inconclusive.

4.3.3 Targeting of specific areas

Whilst the high level objective was to encourage the use of holding funds, there was also the objective to target the funds at the areas of greatest need and some specific areas received a high profile in the early plans. A good example was the proposed targeting of micro-finance at the socially disadvantaged groups. The EIF was commissioned to do a number of horizontal studies on this subject paid for under the JEREMIE contribution agreement, but there is very little follow-up in the JSC minutes or the correspondence to explain the outcome of these studies. The impression given, confirmed by interviews with the JEREMIE team, was that it proved difficult to implement this type of initiative in the highly regional set up of JEREMIE and with limited exceptions has been taken over by the more specialised JASMINE initiative.

4.3.4 Tailoring FEIs to the needs

Another more detailed objective was to tailor the FEIs to the particular needs of the countries and regions. The products currently offered are seemingly standardised instruments (with the facility to introduce local variations within a common structure – see insert below), and there was a tendency for the more specialised products¹⁷ which feature in the GAs or funding agreements to drop out before the final investment strategies were agreed – sometimes to be pursued separately by the MA with local agencies.

¹⁶ The evidence is principally feedback from interviews with MAs, DG REGIO and EIF staff. Whilst such evidence should be treated with caution for individual cases the consistency of feedback from different sources and the common themes which have emerged allows some conclusions to be drawn with relative confidence

¹⁷ For example housing efficiency loans and export credit insurance

4.3.5 Influence on overall level of JHF and FE

Perhaps the most critical question related to overall effectiveness is whether, due to the existence of the Evaluation Phase (the promotional aspects, the signalling effect of the funds put in place and the increase in published material represented by the GAs and other studies) the total volume of holding funds under management, and the total volume of funds switched to FE from grants, is greater than it would have been without JEREMIE, and whether this trend will continue in the future. Whilst it is impossible to provide absolute proof of this, as there is no “without JEREMIE” counterfactual data, the strong impression given by the feedback received as well as by the field work data is that the answer is yes on both counts, i.e., the total volume of holding funds under management, and the total volume of funds switched to FE from grants is deemed greater than it would have been without JEREMIE.

Moreover, apart from the EU wide marketing efforts in the early stages to raise awareness the “complementary activities” led to the following tangible outcomes:

- Development of the SPV model currently in use in two countries
- Supplementary guidance on the Financial Engineering Regulations and a key change to those regulations (prepared by the EC but which the EIF was active in pursuing)
- Ultimate resolution of a number of legal hurdles in beneficiary countries or regions, in some cases requiring changes to the national laws, to facilitate the Implementation Phase
- Development of “standard” EIF financial engineering instruments (FEIs) which have common structures and processes but can be targeted in each holding fund to the needs of specific countries and regions through the detail of their design (see insert)
- Development of a successful model for private co-finance at the level of the holding fund using an EIB loan, currently in use in one country.
- JEREMIE Networking Platform to allow practitioners to compare experiences

These different results are beneficial from a JEREMIE-wide perspective and (will) facilitate the implementation of holding funds.

Development of Standardised FEIs

The EIF developed standardised products featuring in most of the JHFs they manage, the two most widely used being:

- **Funded Risk Sharing Financial Instrument or Product (FRSFI or sometimes FSRP):** designed to provide funding to the Financial Intermediary (FI) to support new SME lending and share the risk of new SME loans, thereby freeing up capital for the FI. The FI undertakes to originate a new SME loan portfolio partly funded from the disbursed funds. Eligible SMEs should be sound, well-performing and bankable. The FEI may have a special focus (e.g. manufacturing). Through a risk-sharing agreement the FI undertakes to repay to the EIF the disbursed amount plus interest accrued; the amount to be repaid will be decreased according to the losses incurred under the new SME portfolio (at a predetermined ratio – typically 50:50).
- **First Loss Portfolio Guarantee Financial Instrument (FLPG):** designed to support loans to Eligible SMEs by providing a capped financial guarantee to FIs and to overcome problems due to lack of collateral in combination with the relatively high risk SMEs represent. Loans are covered by EIF at a guarantee rate (normally 80%), subject to a maximum liability (typically 20% of the portfolio value). It covers losses (relating to unpaid principal and interest) incurred by the FI in respect of each defaulted eligible loan up to the cap amount. The guarantee fee is set as a one-off upfront fee as a percentage of each SME loan.

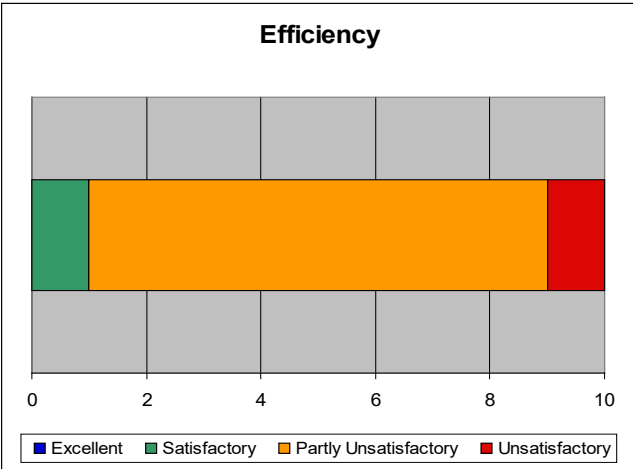
For both products, EIF defines in each call for expressions of interest aspects such as eligibility criteria, target portfolio size, guarantee rate, fee levels, guidance on pricing, etc.

5 EFFICIENCY

Efficiency considers whether the objectives of the initiative are achieved in a manner that represents the efficient use of resources, i.e. whether the outputs could have been produced with lower levels of inputs. This is more than just assessing whether the agreed actions forming part of the initiative were individually carried out in the most efficient way by EIF (though this is an important aspect). It also includes assessing whether those agreed actions were the most efficient way of achieving the objectives and whether they did indeed lead to achievement of those objectives – if they did not then they cannot be considered efficient in terms of cost effectiveness.

The outputs of the JEREMIE Evaluation Phase are the GAs, the draft agreements and, where concluded, final funding agreements, the initial investment strategies on which the foundation of the JHFs will be based (which could be subject to change during the Implementation Phase but which represent the conclusion of the Evaluation Phase), the legal structures of the SPVs where relevant and the results of the various advisory services offered to the MAs. There are no readily available benchmarks for the inputs normally required to achieve such outputs given the unusual and pioneering nature of the initiative. Therefore the evaluation is based on comparisons between the actual performance and the reasonable expectations of the parties involved, plus relative comparisons within the portfolio.

5.1 EFFICIENCY OF INDIVIDUAL JEREMIE EVALUATIONS



With two exceptions, the cases selected for the in-depth evaluations were rated as *partly unsatisfactory*. These ratings indicate that the overall timeliness of the Evaluation Phase was poor (with steps in the process regularly taking much longer than predicted by the parties involved) that the costs were relatively high without leading to additional outputs or in some cases a combination of both. One Evaluation Phase was rated as *unsatisfactory*, because it took two and a half years to produce the GA. In this case, although costs to produce the GA were relatively low, it had no influence on the eventual definition of the holding fund so the inputs provided were effectively wasted. Finally, one case was considered to be

completed in a reasonable timescale and cost in comparison with the Evaluation Phase in other regions and countries and was rated as *satisfactory*.

For the remainder of the portfolio, with GAs but no follow up, all respondents were asked if the timeliness of the GA was considered acceptable and all either answered yes or made no comment. Hence it is not considered that there was a systematic problem with timeliness of the individual GAs. Disaggregated information, particularly on EIF staff inputs, is not sufficient to assess the cost of the GAs alone, and cost effectiveness will be assessed for the Evaluation Phase as a whole.

The reasons why the timeliness and cost effectiveness were considered partly unsatisfactory are further elaborated in Sections 5.2 and 5.3 below.

5.2 TIMELINESS

5.2.1 Overall timeliness

EIF had approached most of the regions/countries before mid-2006, allowing EIF to present a fair picture of those MAs interested in a GA, and those who were not, by the time of the October 2006 JSC meeting. 10 MAs were then already showing an interest in setting up a JHF – most of which indeed ended up having one.

20 GAs were in progress by the end of 2006 and 38 (out of the 55) GAs were finalised before the end of 2007. The EC originally wanted the phase of preparing GAs to stop at the end of 2007 but as this deadline approached a number of late requests were received, some MAs were slow to provide their comments on the drafts. The EC decided to extend the GA phase and this led to 15 more GAs being finalised in 2008. The last two GAs were finalised in 2009, one being delayed due to elections and formation of a new government, and the second being an “umbrella” national analysis covering the

regional GAs already completed. The timeliness of EIF responses to requests is not in question (this is reviewed in Section 8.4) but the completion of the GA preparation phase overall, taking fully three years to complete and using up two years out of the 7 year programme period during which the resulting holding funds were due to be implemented, is considered **less than satisfactory**.

5.2.2 Timeliness of individual cases

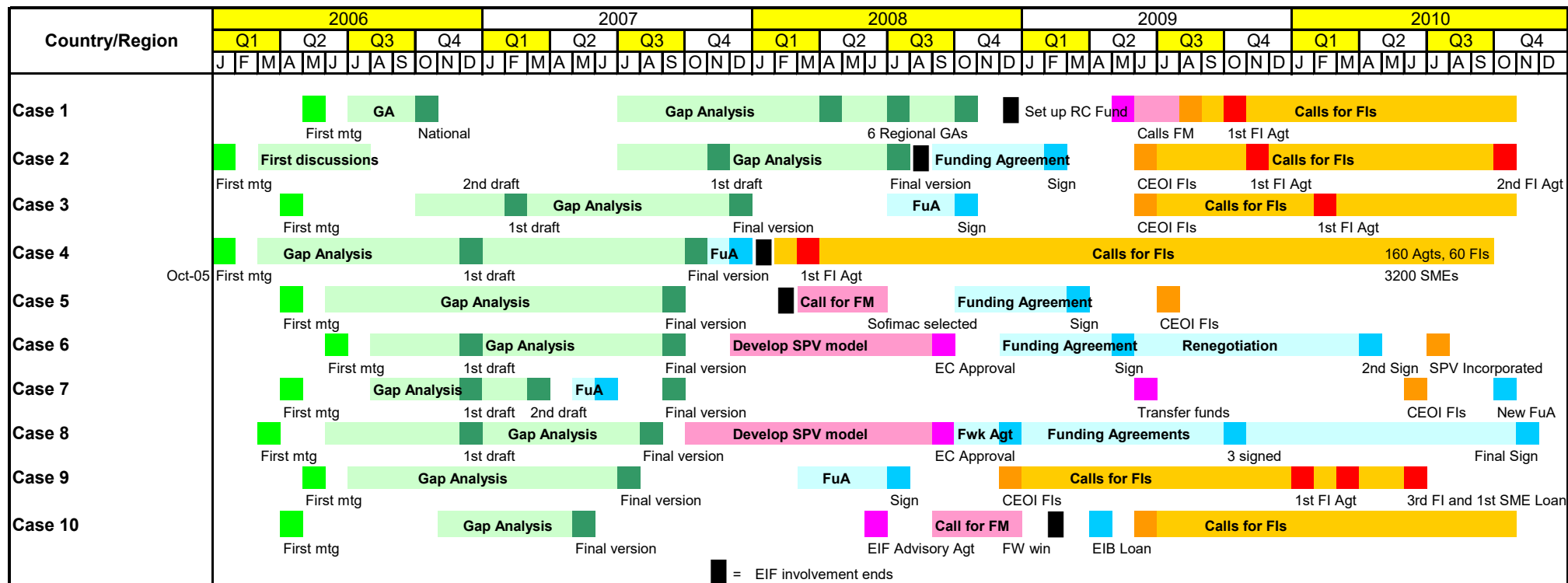
The diagram on the next page shows the timelines for the 10 cases selected for in-depth evaluation, covering all stages up to the end of the Evaluation Phase (including the definition of the holding fund structure and contents). The bars in the diagram indicating the calls for expression of interest are purely shown for completeness of the diagram and are not assessed as part of this evaluation.

The diagram shows that all MAs concerned had had a first meeting in the first half year of 2006 and for 8 out of the 10 countries or regions, final drafts of the GAs were ready by the end of 2007; draft GAs in more than half of the cases by the end of 2006. The two later cases are explained by one country which, after a national GA, requested – much later – a series of regional GAs to be performed. In the second case the start of the GA, a preliminary draft of which was prepared in mid 2006, was in reality held up several times by the regional authority and finally started after mid 2007 only. Nevertheless the overall picture is one of the GA phase for this sample being generally completed to the original plan by the end of 2007 with work then starting on the further definition of the FEIs, holding fund structures and funding agreement documentation. It is from this point onwards that timeliness starts to be questionable.

The diagram furthermore illustrates that, with two exceptions, all of 2008 and almost the first half of 2009 passed before the funds in this sample enter the phase of the first call for expression of interest for the financial intermediaries (regardless of whether EIF or another manager has been selected). This period was far from inactive – with the EIF (or other fund managers) and MAs working on complementary activities needed to complete the Evaluation Phase and enter the Implementation Phase, such as:

- solving the legal and regulatory issues needed to permit the JHF to operate in the way chosen (in some case by changing the laws, in others by presenting state aid notifications for approval);
- developing models for the SPV type of holding fund and getting EC approval to these structures;
- trying to get clarity on issues of eligibility of products and their associated costs (in order to finalise the choice of FEIs);
- trying to get clarity on roles, responsibilities and management costs (to finalise the funding agreements).

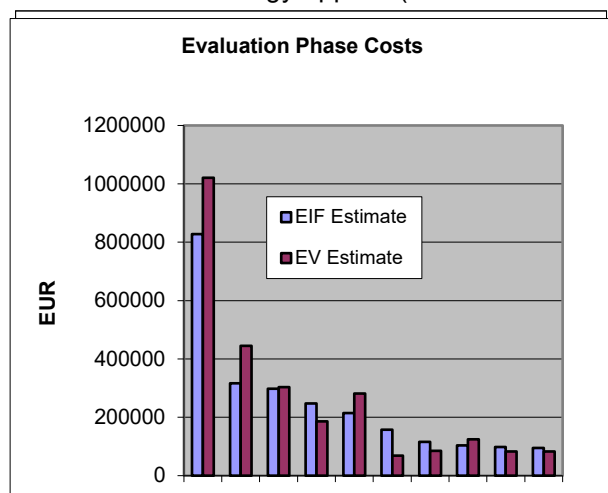
Timelines from in-depth evaluations



This “intermediary” phase was not anticipated in the overall planning of the JEREMIE initiative to take so long, and in the detailed planning documents exchanged between the parties actions were often allocated a few months to complete but ended up taking over a year. There is no suggestion that EIF were responsible for these delays or that there are clear ways that individual actions could have been completed more quickly. Whilst representatives of the EC, the MAs and EIF all expressed the view in interviews that certain aspects should not have taken so long, the fact is they did and consistently so between countries. Such delays could therefore be viewed as an intrinsic element of such major initiatives which should be taken account of in the planning, perhaps by overlapping the GA phase and complementary activities to pursue them in parallel. **The Evaluation Phase as undertaken under the JEREMIE initiative, taking between three and a half and five years to complete, is not considered to have been done in a timely manner.**

5.3 COST EFFECTIVENESS

Whereas overall costs for the Evaluation Phase are known and based on audited records assessment of the costs for individual JEREMIE Evaluations has proved to be a challenge as EIF had no detailed timesheet system in place until the middle of 2008 (manual timesheets to record overall hours spent on JEREMIE were in use from 2007) and limited documentation is available from which to derive the split of staff time between assignments (allocation of consultant and legal costs was relatively straightforward). To overcome this problem for the in-depth reports EV and EIF made independent assessments of the costs for the particular country or region under assessment. EV used a “bottom up” method using the available information on which staff worked on the country of region (from the tables showing the allocation of responsibilities presented to the JSC meetings and the limited information in the files) to estimate the staff costs. EIF took the audited overall costs for the Evaluation Phase and split this down based on an estimate of the share of time of the full time staff between assignments and then a pro-rata application of occasional inputs. The results are summarised below and show good agreement on the overall cost (within 5%) with some differences in individual cases due to the methodology applied (if the GA was completed relatively quickly but a significant level of



complementary activity continued afterwards the EIF method would underestimate the costs). This gave a range of costs with a reasonable level of confidence on which to draw conclusions and apply the ratings for the in-depth reports. If the costs were in the low to medium range and led to the desired outcomes cost effectiveness was considered satisfactory. If the costs were relatively high but led to no appreciable increase in outputs this was considered partly unsatisfactory.

For the 5 EIF-managed JHFs, 2 were considered *partly unsatisfactory* under this sub-criterion. In one case, due to the particularly protracted timeline, both staff and consultant costs reached very high levels with no additional benefit over

other cases concluded more quickly. In the other, delays on the MA side in moving to the next steps after the GA and funding agreement were completed led to a long period where staff already dedicated to the country in a local office could not progress on country specific issues, so were reallocated to horizontal activities. These activities had benefits to the initiative as a whole, but this was not the most efficient use of staff.

For the 5 JHFs managed by others one was considered partly unsatisfactory as the Evaluation Phase cost more than in some cases where EIF was involved through to the end of this phase and the outcomes in terms of influence on the holding fund arrangements were limited. Another rated as *unsatisfactory* even though costs were modest the work done had no impact on the holding fund implemented by the MA.

For the remainder of the portfolio the EIF figures indicated an average of EUR 200 000 per “assignment” (the pursuit of a country or region which may or may not lead to a GA) and though there

is not further breakdown a range of EUR 100 000 to 300 000 is predicted depending on the level of involvement and the amount of marketing needed before getting instruction to prepare a GA. The cost of preparing the GAs which had no follow up with a JHF is therefore approximately EUR 7.6 m out of the total cost of approximately 15m EUR for the Evaluation Phase (taken as total costs allocated to this activity for 2006 to 2009)

5.4 EFFICIENCY OF EVALUATION PHASE OVERALL

For the Evaluation Phase overall the question can now be asked whether the outcomes were achieved in an efficient way or whether they could have been achieved in a more timely and cost effective manner.

As suggested in the sections on relevance and effectiveness there were alternative ways in which this phase could have been designed – for example by tailoring the support offered to MAs depending upon their needs rather than preparing a GA in every case. Approximately half of the total cost of the Evaluation Phase was spent on GAs which did not lead to a JHF (raising the question whether this outcome could have been reached at lower cost), several MAs did not see the GA as a necessary step towards establishment of a JHF and in a number of cases a JHF was established without a formal GA phase but after other lighter forms of assessment. The production of GAs dragged on into a third year, eating up two years out of the 7 year period in which JHFs were to be implemented before the phase of deciding what to do was completed. Perhaps by completing a GA only where strictly necessary this delay, and overall costs, could have been reduced.

The delay to the end of the Evaluation Phase was exacerbated by the level of unforeseen or underestimated problems to be solved before a JHF could in fact be implemented. Some of these were foreseeable (many of these issues were first raised during the first two JSC meetings in 2006, Section 7.1.2) but the time taken to resolve them perhaps came as a surprise to all concerned.

Many of the individual delays were the result of political changes within the beneficiary countries, which nobody could control, but the more protracted the process the greater the opportunity for such interference – there are very few countries in the EU where if it takes 4 to 5 years to prepare a programme it will not have to cope with political change.

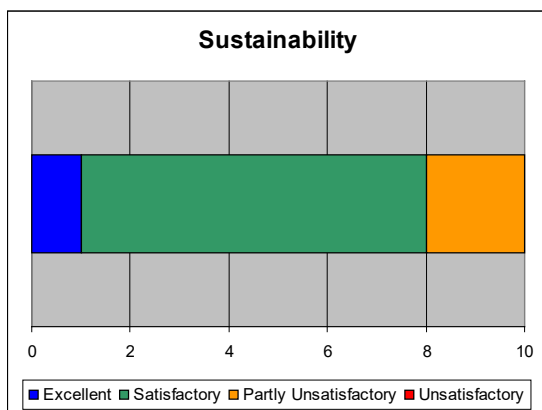
One solution would have been to recognise that two and not one work streams (the GA workstream to identify the gaps and the complementary activities work stream to prepare for implementation) existed and to pursue these in parallel. In practice they proceeded in sequence, leading to a further delay of between one and three years before holding funds were ready to choose financial intermediaries. The GA work stream would have needed a lead on the complementary activity work stream, as some information on the likely gaps and products would be needed, but not a lead of several years. It might also have been advisable to focus EIF's activity on those actions which they were best suited to undertake. This could have been as expert advisor on which products to employ once the GAs had been completed by others, as a focal point to present eligibility issues to the EC for their response, development of standard agreements and, where they were the best choice, the role of fund manager. Production of the GAs could have been handled separately as a Technical Assistance contract and even the MAs could have been mobilised to check and resolve the local legal hurdles earlier in the process.

The last point raises the issue of whether the Evaluation Phase, even under EIF management, could have been done more efficiently. The approach taken was quite heterogeneous with some GAs being completed mainly by EIF staff, some mainly by consultants, in most cases with consultants selected for individual GAs but occasionally, where multiple regions in one country were interested, with one consultant preparing multiple GAs (which show economies of scale in terms of consultant cost per GA). A more centralised approach, perhaps using framework contracts with one or several larger consultants using local sub consultants, would have been less demanding on the limited EIF staff resource and produced cost and time savings.

6 SUSTAINABILITY

Sustainability considers whether effects last beyond an intervention. The principal effects of the Evaluation Phase are the changes in behaviour and organisation represented by the switch to a greater use of financial engineering to support SMEs under ERDF, in some cases within the context of a JEREMIE holding fund. It is a relatively early stage at which to assess whether such changes will be sustainable as successful implementation of the FEIs and JHFs has not yet been proven, and this is probably a precondition for the MAs to persevere with this approach. Nevertheless a rating is made based upon the indications so far. It assesses whether observed changes are likely to last and whether alternatives available would have increased the likely sustainability of these changes.

6.1 SUSTAINABILITY OF INDIVIDUAL EVALUATIONS



Of the 10 cases selected for in-depth evaluation one was rated as *excellent* as the changes in behaviour and organisation, including a modification of local legislation, are considered firmly established and the principal alternative (establishment of a JHF with the local agency) would have been less sustainable. 7 others were rated as *satisfactory*. The two cases rated as *partly unsatisfactory* are cases where the EIF is not the fund manager and where the arrangements set up by the MA and their chosen fund managers raise concerns about their sustainability – in one case as there are signs of changes in political support and in the other due to the relative lack of international and private sector

input. The sub-criteria underlying these ratings are elaborated further in sections 6.2 and 6.3.

6.2 LASTING CHANGES

6.2.1 Resulting directly from the Evaluation Phase

The following are examples of the changes having resulted from the JEREMIE Evaluation Phase:

- Establishment of the first holding funds (see Section 4.1)
- Enabling measures included in local legislation
- Increase use of and confidence in financial engineering
- Reduced dependence on grants
- Introduction of separate SPV structures to replace state entities
- Increased institutional capacity in the MAs and local agencies
- Technical knowledge transfer
- Structural changes in the local agencies
- Development of sectors previously absent or underserved (notably venture capital)

Though the influence of JEREMIE in some cases was indirect there is little doubt that such changes have occurred during the Evaluation Phase. The assessment of whether these changes will persist cannot be based on any firm evidence. It is more a judgement based on the apparent level of commitment of the local players interviewed for the evaluation, a judgement on the level of time, money and political capital invested by these local players and the incentive this will give them to persevere until results are achieved and a prediction, as much as can be made at this very early stage, of whether these results are likely to be positive. As far as can be determined from these proxy indicators the ratings were generally positive for this sub-criterion.

The changes initiated by the GAs with no follow up are harder to identify and even harder to assess. There was some feedback from the telephone survey that MAs used some parts of the GAs in their future planning – for example to implement FE outside of a JHF – but the evidence is not considered firm enough to draw conclusions.

6.2.2 Sustainability of JHFs resulting from the Evaluation Phase

For the JHFs having resulted from the Evaluation Phase, the main perceived threats to their sustainability are:

- Failure to disburse the funds to SMEs
- Disbursement which subsequently proves ineligible leading to repayments to the EC
- Dwindling political support leading to switch of funds back to grants
- Failure to attract the required private co-investment

The two principal design changes which could have impacted upon this have been discussed elsewhere but are also relevant here:

- The potential measures to speed up the process and allow quicker establishment of the funds would have helped mitigate the risk that impatience for results lead to dwindling support
- Freeing up the EIF from the more administrative aspects of the GA phase and facilitating wider adoption of their role as advisors could have increased the number of funds in which they had an influence, thereby improving the design of the fund and potentially making it harder to dissolve.

6.2.3 Reorganisation of EIF

Finally, the Evaluation Phase has had an influence on the way EIF reorganised during this period. EIF was previously organised along products lines, with groups of specialists in guarantees or venture capital promoting those products across national and regional boundaries. JEREMIE called for a more regional approach with certain staff focussing on, and becoming expert in, the particular legal, cultural and administrative context that comes with this approach. This existed within the JEREMIE team but in 2008 got formalised in EIF with the establishment of the Regional Business Development unit (RBD). Though JEREMIE is the major preoccupation of this unit, other EIF products and mandates are managed on a regional basis alongside and the improved and ongoing relationships this allows improves the EIF's ability to provide ongoing support to regional clients and initiatives.

6.3 SUSTAINABILITY OF ALTERNATIVES

This sub-criterion is used in the in-depth reports to assess whether the above changes (and their resultant benefits) would be more sustainable if the Evaluation Phase for an individual country or region had led to another solution. The primary alternative solutions were:

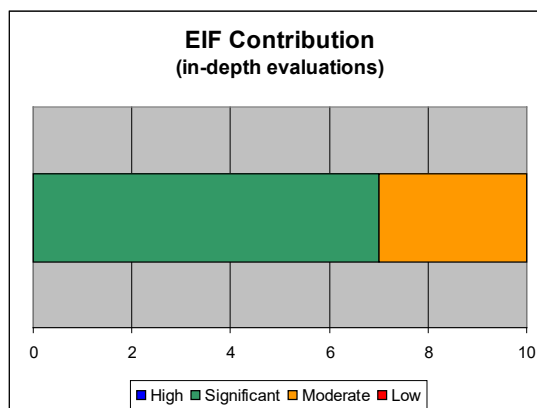
- A JHF with a different fund manager
- No JHF but FEIs implemented under another structure
- A significantly different mix of FEIs in the JHF

A judgement was then made on whether the alternative available to the MA would have lead to greater or lower likelihood of the changes being sustainable. For none of the 5 EIF-managed holding funds was it judged that a more sustainable alternative existed. For the funds managed by others in one case the solution adopted by the MA is considered less sustainable than the solution proposed by EIF, in another the holding fund arrangements were also considered sub-optimal and could have been improved under EIF management but the risk of political interference, the main threat to sustainability, would not have been substantially reduced.

7 EIF CONTRIBUTION

This section assesses whether EIF’s institutional and technical contribution enhanced the quality of the Evaluation Phase (relative to the MA doing it themselves), what financial contribution EIF made and whether their involvement facilitated the initiative in other ways through catalytic or demonstration effects to other players in the market and bringing co-financiers to JHFs.

EIF contribution was well appreciated for the cases where eventually a JHF was established. EIF’s expertise and independence as an outsider are valued, and often helped in facilitating the shift to FEs and convince MAs to set up a JHF. EIF was also instrumental in offering legal (e.g. setting up of SPV) or regulatory (in one case national law was changed) advice.



Financial contribution, in the form of offering a GA free of charge was appreciated, also, according to the telephone survey, in the case when this was not followed by a JHF. In several cases studied in-depth the GA was complemented by legal advice or preparatory work when this was – for sometimes considerable amounts – still covered by the EC-EIF contribution agreement and therefore free of charge to MAs.

Financial facilitation by EIF was weak and in most cases absent, despite EIF’s natural role and the way in which JEREMIE was initially presented, which clearly left open the possibility for private investors to invest in the holding fund. EIF has contributed to involving EIB in some holding funds in one country and allowed for EIB’s contributions viewed as senior debt.

7.1 INSTITUTIONAL AND TECHNICAL CONTRIBUTION

7.1.1 Contribution to individual MAs

Expertise on financial engineering was most often mentioned as a major contribution from EIF as, with one exception, national and regional authorities were clearly lacking this type of competence. Also the *independent judgment and reputation* of EIF was deemed important for the quality of the GAs (equally in the telephone survey) and often played a role in convincing politicians in particular to convert from grants to financial engineering. Finally, *legal advice* was found important. This was especially regarding the formulation of the FA (also in several cases without EIF as fund manager preliminary work on the FA was done) and, if applicable, the establishment of the SPV. In one country, EIF made highly relevant contributions to discussions on a change in national legislation without which implementation of JHFs would not have been possible at all in that country.

Reservations were expressed with regard to EIF’s ability to contribute to the resolution of issues stemming from the structural fund regulations. Even though EIF explained that this was definitely not the case, it was often expected by MAs that EIF could easily come to an agreement with the EC. In reality, such agreements and interpretations of the regulations were not always easy to obtain from the side of the EC, leading in turn to delays in the overall process and to frustration on the side of the authorities. The regret is also expressed in several cases, including from the telephone survey, that limited to no transfer of know-how has taken place from EIF to MAs – even though this was not a formal obligation in the contribution agreements. If FE and JHFs are to take an important place in future EU regional policy, capacity building is expected to increase in order for the national/regional authorities to become better educated partners for JHF managers.

Finally, linked to JEREMIE’s Implementation Phase, yet worthwhile to mention as it confirms EIF’s expertise role, the authorities today see EIF’s experience as fund manager positively, and value the professional selection procedures for financial intermediaries as well as the more soft advice, e.g. keeping the authorities informed of new EC guidance. MAs also feel more comfortable with regard to the eligibility of the different instruments as EIF takes an approach which aims at minimising risk in this

regard, even though MAs have not always directly understood that minimising the risk ultimately is beneficial as it will lower the probability that expenses are ineligible. This approach was possible partly due to the work performed under the Evaluation Phase and EIF's input to EU regulation and contacts with DG REGIO through the JSC.

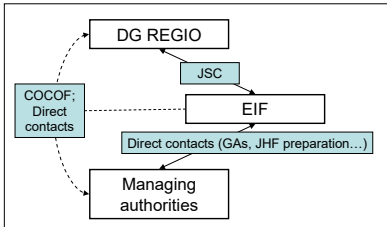
Overall, especially EIF's *technical* contribution is highly valued by the three types of beneficiaries (those with only a GA, those with a JHF and those with a JHF managed by EIF) that concretely benefited from the Evaluation Phase. Expectations on resolution of regulatory issues were high but being dependent on EC it was outside EIF's competence to effectively contribute to this. Also, in future, capacity building could be given more attention.

EIF contribution to a change in national legislation

One regional assignment conducted by EIF triggered a discussion on *national* level in that country. Transfers from the state in view of regional revolving instruments were viewed *as state investments* and therefore to be managed by the *national* agency in charge. This made regional JHF implementation very cumbersome and in practice impossible. A national working group was set up focusing *inter alia* on this issue. Coordinated by the (national) coordinating body for regional policies, it met frequently during the 2006-2009 period and gathered, apart from EIF, representatives from the region concerned and from relevant national ministries. EIF actively contributed to this group with proposals for modification of law texts (additionally EIF contributed to the design of a "co-investment" instrument and for the Funding Agreement to serve as a model for all the regions in the country). The joint efforts ultimately led to the adaptation of national law allowing for the transfer of revolving funds from the state to regional authorities without the fund having to revolve back to the state. The national law text explicitly refers to Art. 44 of regulation (CE) n°1083/2006. It seldom happened that the law is modified to accommodate Structural Fund regulation. Without the modification, the establishment of a JHF would have remained not feasible in the country.

7.1.2 Contribution to JEREMIE initiative overall

Apart from contributions to individual MAs, EIF contribution to shaping the JEREMIE initiative as a whole has been crucial, as EIF served as a relay between, on the one hand, the concrete (regulatory) issues encountered in preparing the design of JHFs for different regions and countries on the ground, and, on the other hand, the EC who had formal responsibility to possibly take these on board and eventually provide guidance.¹⁸ The outcomes of such discussions have had or will have an impact not only on existing JHFs but also on JHFs yet to come and more broadly on FEIs that MAs will apply under the ERDF.



Specific contributions from EIF which go beyond the mere implementation of GAs are that very early on EIF flagged a series of "critical implementation issues" in the first 2 to 3 meetings of the JSC (see exhibit on next page), all of which anticipated already the implementation of the holding funds in later stages, and answers to which were provided little by little by the EC either during the JSC meetings, in additional contacts and correspondents or, often much later, through new COCOF notes which contained interpretations of the regulation.

- Critical implementation issues suggested by EIF in the JSC**
1. Timing of National Contribution
 2. Payment into fund in tranches
 3. Deadline for Commitment (applies to FI or SME?)
 4. Pricing of on-lending
 5. Effect on previous question if there are EIF and non EIF windows in the fund
 6. Need to get move of funds between products approved by EC
 7. Effect of GA on the need for a State Aid analysis
 8. Is a revolving fund exempt from State Aid
 9. Would market consultation be deemed sufficient to avoid unfair competition
 10. Can EIF create an FI for a product if none exists
 11. Can a proposed supplier be cited in the GA
 12. Requirements to keep funds back for possible new entrants later
 13. Acceptability of reusing funds from 2000-2006
 14. Who holds the fund bank account
 15. Can JHF Fund Manager be a fund-of-funds manager
 16. Clarification of responsibilities of MA, IB and Fund Manager under the regulation
 17. Clarification of legality of direct award to EIF
 18. Mention of JEREMIE in the OP is mandatory?
 19. Justification of EIF Management Fees
 20. Clarification of what counts as eligible expenditure

¹⁸ EIF was not the only channel for communication between DG REGIO and the MAs, as the latter could also convey their suggestions to the EC directly through the OP Steering Committees as well as through the Coordination committee of the funds (COCOF).

Apart from the critical implementation issues flagged by EIF, the transition period between Evaluation and Implementation Phase was also used to develop two main standard debt instruments (see the section on Effectiveness) which can be implemented under holding funds. EIF today applies these, but also instruments proposed under some of the non-EIF JHFs share characteristics of these products, and therefore EIF's work is considered of general applicability. The advantage of the products developed by EIF is that they are indeed standardised from a *procedural* point of view but can be parameterised with regard to the definition of final beneficiaries allowing for a fine-tuning of the instrument depending on the national or regional SME finance needs.

Finally two other main contributions EIF made before the Implementation Phase is the development of the SPV model (even though it is for the moment applied in two countries only) and the template funding agreement, which is widely used both in EIF and non-EIF JHFs.

EIF's technical and institutional contribution is judged **significant** to the individual beneficiaries, as well as to the JEREMIE initiative overall.

7.2 FINANCIAL CONTRIBUTION

Activities undertaken by EIF during the Evaluation Phase for individual MAs were charged under the contribution agreement between the EC and the EIF, amounting to EUR 14.3 m (costs) for 2006-2009, EIF contributing 25% in 2006-07 and 15% in 2008-09 (the 2010 contribution agreement no longer refers to Evaluation Phase activities). The cost for EIF of those activities undertaken for individual MAs ranged from several thousands of euros when only a GA was provided (especially in cases without subsequent JHF) to several hundred thousands of euros when complex issues were to be handled such as designing the FA or the SPV structure or clearing issues of compatibility of the future JHF with national regulation. These costs were not borne by the MAs, and most state that they would not have been prepared to cover such costs by themselves, as they were not necessarily convinced of the feasibility of the initiative: on the overall sample (in-depth and telephone survey) only two regions claim that they would have been prepared to remunerate EIF to perform a GA. Moreover, several complementary activities such as the resolution of legal issues often had an impact beyond the individual country or region (e.g. design of SPV structure used in two countries), which would argue in favour of sharing those costs as it was done.¹⁹ For those countries or regions currently having a JHF in place, which involved high preparatory costs incurred by EIF often under the contribution agreement, the financial contribution is deemed highly valuable and in several cases would have been difficult to be borne by the MAs themselves, especially in the smaller NMS.

In sum, EIF's financial contribution is judged **significant** to the individual beneficiaries, as well as to the JEREMIE initiative overall.

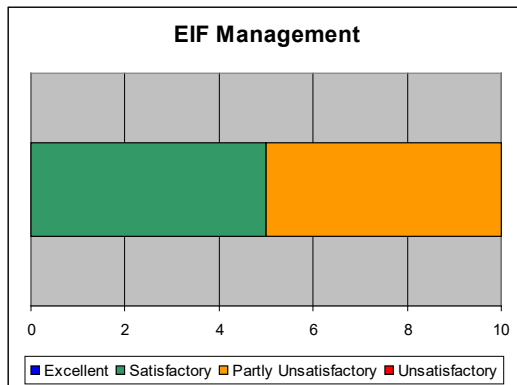
7.3 FINANCIAL FACILITATION

Initially it was expected that also other, in particular private, investors would contribute to JHFs. At later stages of JEREMIE implementation, the aim of attracting other investors than the region at the level of the JHF lost its importance as leverage was thought by EIF to be better created at the level of the FIs. Financial facilitation on the side of EIF can only be assessed in case a JHF exists and especially for those 12 having EIF as manager. At present, all but one of the JHFs managed by EIF are co-financed with ERDF funds²⁰ complemented by national or regional funds as expected. However, none of the JHFs involves other investors. In one of the cases selected for in-depth evaluation and other cases in the same country, the fund, not managed by EIF, is co-financed by EIB, and EIF has played a facilitating role here, working together with EIB to have the EIB loan figure as senior debt. Overall, financial facilitation by EIF at the level of the JHF is therefore considered to be **low**.

¹⁹ See Section 5.3 (on cost-effectiveness) for more details.

²⁰ One is co-financed with ESF funds which was a possibility under the JEREMIE initiative. See Section 1.1.

8 MANAGEMENT OF THE EVALUATION PHASE BY EIF



This Chapter assesses the management of the Evaluation Phase by EIF. It includes issues of staffing, internal organisation and procedures, monitoring and document management, timeliness, coordination, quality of the work and client relations.

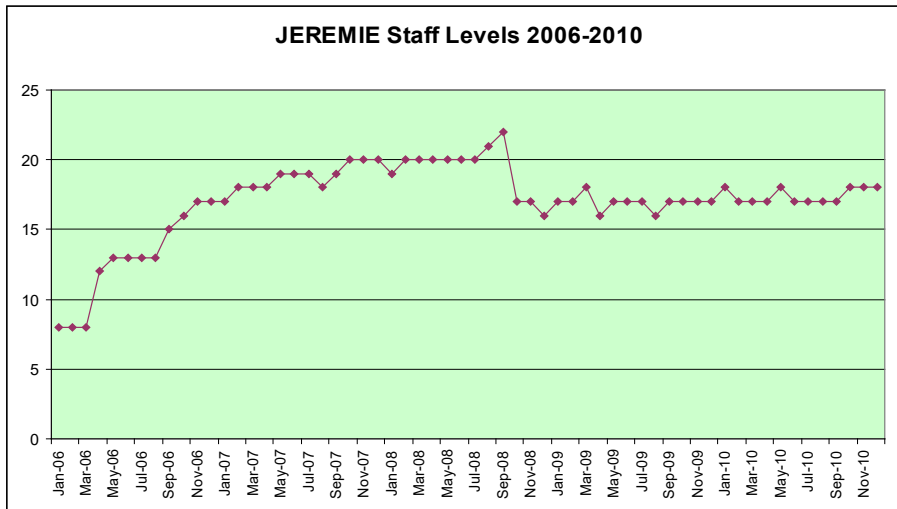
Of the in-depth evaluations, half of the cases were rated satisfactory, the other half were rated partly unsatisfactory. The cases rated satisfactory were characterised by continuity in the EIF team managing the evaluation phase, efficient management for the items within the control of EIF, a high quality of work and good counterpart coordination and relationships.

This was also the case for most of the cases rated partly unsatisfactory, however these cases were generally downrated on the failure to document the process to the standard needed to demonstrate good management and to satisfy the need for accountability and unexplained delays. The weak monitoring and the scattered nature of filing at EIF implied a major operational risk and still today results in inefficiencies. The present chapter will focus on the different aspects of EIF management of the process including, but also going beyond, the in-depth evaluations.

8.1 STAFFING

JEREMIE, being a new initiative, necessitated an entirely new team to be built up within EIF. This was done in the brief running up period towards the formal start of JEREMIE for EIF end 2005. The start of JEREMIE within EIF was marked by the nomination of a Head of JEREMIE at 1 January 2006. An initial team of 6 professional and 1 support staff was built up from people that could be made rapidly available within EIF, led by the Head of JEREMIE (8 in total). It was reinforced in April-May 2006 with 2 more professional staff, 1 assistant and three managers (one of which working on a consultant contract). Given the short deadlines – the EC supposed the work to start right away – it is difficult to imagine that the JEREMIE team could have been staffed more rapidly, i.e. if external staff were hired. Moreover, all the team had worked within the EIB Group before (EIF or EIB) warranting familiarity and rapid integration. The insert shows the evolution of staffing levels 2006-2009; as from the end of 2007 staff starts to be increasingly dedicated to the Implementation Phase and less to the Evaluation Phase, after 2008 being mainly²¹ involved with implementation only.

²¹ Even after 2008 EIF still received ad hoc requests from regions to perform GA-type analyses in view of the establishment of a JHF, or updates of past GAs.



Note: The graph only includes EIF (professional & support) staff directly related to JEREMIE – EIF’s horizontal services (especially legal) and product-related services (involved in later stages mainly) are not counted.

Headcounts only - with very few exceptions, most staff worked full-time.

Source: EIF

The graph shows that apart from the initial one, there were two other “jumps” in staff (Apr-May 2006 and again the first half of 2007) to arrive at a ceiling level of around twenty staff lasting until the end of 2008 and reverting back to around 17 afterwards, when JHF implementation became the major activity.

Overall responsibilities of JEREMIE staff during the Evaluation Phase were as follows:

- Identification of counterparts for the GA, for a total of 71 countries and regions approached by EIF
- Contacting MAs and following-up on these contacts
- Prepare overall GA design
- Prepare individual GAs
- In case of GAs prepared by consultants, identify, contract with and supervise consultants (see below)
- Finalise GAs
- Carry out or supervise complementary activities, if applicable
- (for management staff especially) liaising with the EC through the JSC and through on-going contacts in between JSC meetings

In conclusion, the JEREMIE team at EIF was built up quite rapidly in the first half of 2006. This was possible because of the commitment of EIF management to the initiative: EIF to a great extent advanced staff costs as contribution agreements with the EC were systematically signed very late in the year, i.e. in October, and once even in December.

8.2 INTERNAL ORGANISATION AND PROCEDURES

The JEREMIE Team was organised as an independent unit until the reorganisation of EIF in April 2008 upon arrival of the new CEO, when Regional Business Development (RBD) was created. RBD incorporated, *inter alia*, all JEREMIE front office activities, which by then, the Evaluation Phase drawing to a close, were no longer focused on the production of GAs but on the establishment of JHFs. This section describes how EIF built up the JEREMIE team, what its responsibilities were and the internal procedures to manage the Evaluation Phase.

8.2.1 Marketing the JEREMIE initiative

The first task the JEREMIE team found itself faced with in the Evaluation phase was to contact all possible countries and regions in order to check for their willingness to participate in the JEREMIE initiative and to have a “JEREMIE Evaluation” prepared for them, offered jointly by the EIF and EC. No procedure or plan was initially designed for approaching the different MAs. Several regions were approached first, because EIF had contacts with them from earlier advisory work. At this time the format of the GA had not yet stabilised and the precise offer to be made to each individual MA hence was not

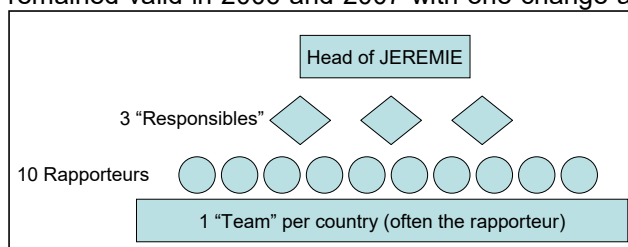
yet crystallised. After these first experiences taking place in the first three months of 2006, the approach became more structured, because it was realised that approaching regions one-by-one would be far too resource intensive for the team. After this first series of meetings at regional level therefore, EIF started to approach countries in “top-down” mode, that is, by using central governments as entry point. This approach was followed for all other countries.

Subsequently, two different cases can be distinguished (excluding those without GA):

- The interest was national and GA and possibly a JHF were from the outset envisaged at national level, case in which the contacts remained at national level.
- A general meeting was organised in the capital city to which representatives of the regions were invited. This was the case especially in the bigger Member States. These meetings were followed up by a circular mailing (or direct contacts with those regions showing an immediate interest in the initiative), after which contacts were pursued bilaterally. In most of the bigger countries also national contacts remained when national GAs were pursued in parallel to regional contacts

8.2.2 Work organisation

The overall structure in view of producing the GAs was as in the exhibit below. This overall structure remained valid in 2006 and 2007 with one change at the level of the persons responsible and some



reshufflings at the level of the teams involved. Given the small overall size of the JEREMIE Team, the “Teams” referred to in the graph and the rapporteur often coincided. Again because the team was small, a rapporteur for one country could be team member for another. The Head of JEREMIE also directly supervised a series of assignments in the same way as the three other managers.

The ten “rapporteurs” were nominated covering the following groups of countries in view of approaching the relevant MAs and subsequent production of the GAs. This initially was organised in 67 “assignments” to which two regions can be added which eventually established an EIF-JHF (meaning that EIF de facto has come in contact with them) without having elaborated a regional (but a national) GA, making a total of 69.

In 2006 and 2007 all JEREMIE staff were involved with, *inter alia*, the production of the GAs and, additionally (as from 2007) complementary activities such as drafting FAs and providing (or brokering) legal advice. Given the size of the team, staff generally worked on several countries or regions in parallel. Given that EIF did not record time, it is not possible to work out accurately how much time was spent on which activity for which country. It is clear that some countries required more input from the side of EIF, not because they required a GA or JHF per se, but related to their size and complexity.

Most of the staff involved with marketing the JEREMIE initiative to MAs was also subsequently involved in the coordination of the GAs for the respective regions or countries, meaning that there was continuity. Even though today not necessarily the same persons are in charge of the respective holding funds, most of the “core team” present in 2006-2007 are still working in the RBD JEREMIE team today which also warrants continuity and the built up of a certain expertise on the different countries and regions concerned, and holding funds currently being implemented.

8.2.3 Consultants

EIF hired the services from consultants for a variety of tasks, but in particular for the elaboration of GAs. Type of tasks, number of consultants/contracts involved and financial volumes were as follows:

- GA (or related data-mining) refers to the preparation of draft GAs and/or the data-gathering in view of the elaboration of a GA. EIF chose to do this systematically with local consultants, which led

Type of consultancy	# providers	Volume (EUR)	Average (EUR)
GA (or related datamining)	23	663 446	28 845
Legal	16	770 911	48 182
Additional studies	5	592 194	118 439
Advisory assistance (local)	5	341 903	68 381
Management	1	221 225	221 225
Implem. procedures	3	163 622	54 541
Total	53	2 753 301	52 000

to concluding a multitude of relatively small contracts. Practices varied between countries and between the EIF internal JEREMIE teams: in one case one contract covered all regions in a country leading to economies of scale whereas in another case all regional GAs were performed by different consultants, necessitating relatively more work from the side of EIF both in terms of preparation and contract supervision. For some countries the respective JEREMIE teams did not use consultants at all and preferred to do the leg work themselves, or hired consultants for specific data-mining tasks only and did the integration by themselves. In other words, practices varied substantially across the JEREMIE unit.

- Legal consultants were hired generally to (1) provide advice on the EIF status as JHF manager in different countries or to (2) provide advice on the adaptation of FAs to local law. More than in the case of GA consultants it was necessary that these were local law firms given the local specificities in legislation.
- Additional studies for 4 out of the 5 providers concerned several studies on micro-finance covering more than one country which either fed into individual JEREMIE GAs or, later, served to prepare the JASMINE initiative on micro-finance which was split off from JEREMIE (which had initially a strong focus on micro-finance). One horizontal study related to the European factoring industry and its results fed into individual GAs.
- Advisory assistance was used when negotiations with MAs were deemed to progress satisfactorily according to EIF and “a helping hand” was needed locally to prepare setting up an office, facilitate contacts with national ministries, identify local advisors in the field of finance, potential financial intermediaries, etc. Most contracts were of minor size, however three quarters of the volume (EUR 260 k) under this type of consultancy went to one single consultant, who maintained contacts with national authorities in the country at stake however without specifying (and without leading to) any deliverables.
- One contract with a former EIB staff was made in order to act as manager in the JEREMIE Evaluation Phase (one of the “managers” as per the organisation explained in Section 8.2.2)
- Finally additional support was needed when JEREMIE implementation procedures were to be designed (i.e. the procedures manual, the design of a loan database and legal advice). All these activities were preparing EIF for the Implementation Phase though.

Whereas it is clear that the legal consultants were to be nationally based, because national legislations differ, such a reason seems less valid for the GA consultants. Although contracts between the different consultants were to great extent standardised (standard contract with an Annexe describing individual tasks) leading to some economies of scale, given the multitude of contracts to be signed this was not necessarily the most efficient solution. An alternative could have been a framework contract or the use of selected trans-European research and consultancy networks which are already sponsored by the EC.

EIF in interviews acknowledges that such alternatives were never considered. The choice for small contracts with individual local consultants was inspired by the fact that GAs were to be tailor made; that the demand initially was not clear and only emerged sequentially and was difficult to plan following EIF’s marketing efforts, therefore consultancy contracts were established ad hoc; establishing a framework contract for the GA studies would have required a stricter planning process – given the context judged unrealistic by EIF and it also have meant an alternative management burden as in that

case public procurement would have had to be followed, which was now avoided by using small contracts with different consultants. This notwithstanding the one case where a series of GAs were performed by one single consultant clearly shows the economies of scale – it is this case that shows the lowest cost.

8.3 MONITORING AND DOCUMENT MANAGEMENT

Monitoring of progress with individual GA assignments (countries or regions) was done in reports submitted to each JSC meeting. This provided an overview whether GAs were started, in progress, in draft or finalised. As EIF had no detailed timesheet system in place until the middle of 2008 (manual timesheets to record overall hours on JEREMIE were in use from 2007) and no staff cost reports were available for the Evaluation Phase for individual cases it was difficult to account for the effort spent on each individual case. The costs of consultants were available through individual contracts and reports to the EC within the framework of the contribution agreement, which varied in format between years. Staff cost reporting on JEREMIE by EIF was done to the EC within the framework of the subsequent contribution agreements but not disaggregated at the level of individual assignments.

The in-depth evaluations carried out for the present evaluation show that internal filing procedures were absent. EIF internal documentation concerning the Evaluation Phase is scattered, requiring time-consuming manual collation to obtain a decent audit trail of the different activities undertaken prior to mid-2008, when implementation of funds started and filing and documentation procedures were set up which today seem to be respected. Overall documentation in the central paper files looks incomplete and especially for 2007 in most of the cases written records could be obtained from EIF with great effort only. The work performed for the individual evaluations suggests that a fair amount of information remained on individual C-drives or in e-mail boxes, and was not systematically filed in hard copy. This weak monitoring and the scattered nature of filing at EIF implied a major operational risk at the time (even though for this evaluation all necessary information was eventually uncovered).

8.4 TIMELINESS

In order to analyse the timeliness by which EIF managed its contribution to the Evaluation Phase, the following items are taken into account:

- The pace at which EIF marketed the initiative
- Whether initial plan was kept – that is, carrying out the GAs overall during the 2006-2007 period
- Timeliness of GAs as experienced by individual MAs

Timeliness more broadly for the JEREMIE initiative was considered under Section 5.1 (timeliness of the Evaluation Phase). The present section draws on the same data but will assess EIF's contribution to timeliness.

In following the process described in Section 8.2.2 above, EIF had approached most of the regions/countries of the different "assignments" before mid-2006: in the October 2006 JSC meeting a fair picture of those MAs interested in a GA (and those who were not) could be given. Even about 10 MAs showing an interest in setting up a JHF were already identified at that stage – most of which indeed ended up having one.

The progress reports EIF made to the JSC meetings show that rapid progress was made in the production of the GAs, with about 20 GAs in progress by the end of 2006 and 38 (out of the 55) GA finalised before the end of 2007. Another 15 were formally finalised in 2008; these concerned either MAs who had indicated quite late that they wanted a GA; the latter were often cases where the GA had been submitted but comments were difficult to obtain from (especially regional) authorities; cases where EIF judged there was a low probability the GA would be followed by a JHF hence MAs showing little interest. Finally two more GAs were finalised in 2009, but these delays were outside of EIFs control – one case was due to elections and formation of a new government, in the second case it was decided in a late stage that after finalisation of regional GAs a national "umbrella" analysis should be made.

These overall findings are well reflected by the timelines of the 10 individual cases that were studied in detail (see exhibit in Section 5.1). These show that all MAs concerned had had a first meeting in the

first half year of 2006 and for 8 out of the 10 countries or regions, final drafts of the GAs were ready by the end of 2007, and draft GAs in more than half of the cases by the end of 2006 already. The two later cases are explained by one country which after a national GA requested – much later – a series of regional GAs to be performed. In the second case the start of the GA, a draft of which was announced early in the JSC meeting, was in reality held up several times by the regional authority and finally started after mid 2007 only.

In conclusion, the Evaluation Phase with regard to the GA component did not proceed entirely according to plan. Most of the planned MAs were contacted within the first six months of the initiative, half of the GAs in draft form ready by the end of 2006 and nearly three quarters of the GAs actually finalised by the end of 2007, the delays for the remainder being for most of the cases outside of EIF’s control. As argued in Section 5.1, the delays in the JEREMIE initiative overall were caused by the additional activities that had to be undertaken, including the adaptation of EU and national regulations. From early 2006 EIF started to flag different “critical issues” it saw upcoming relating to holding fund implementation but the EC was unable to rapidly act on and solve these (see below Section 8.6).

8.5 COORDINATION WITH COUNTERPARTS

This section assesses the external coordination by EIF of its work during the Evaluation Phase, in relation to the national and regional counterparts (internal coordination is discussed under “organisation of the work” above and relations with the EC in the next section). Analysing the 10 individual cases performed for this evaluation allows us to make a distinction between cases that were relatively uncomplicated, that were averagely complicated and one case that was complex. These three different situations have distinctive features explaining the level of complexity (see exhibit).

RELATIVELY UNCOMPLICATED	AVERAGE	COMPLEX
5 cases plus <i>national</i> component of 6th case	3 cases plus <i>regional</i> component of case cited on the left	One case
<i>Characteristics</i>		
<ul style="list-style-type: none"> Presence of single (or one main) interlocutor able to decide/speak on behalf of MA (not necessarily being the MA itself) 	<ul style="list-style-type: none"> Multi-layered decision structure or multiple stakeholders Stability of contact points at counterpart side 	<ul style="list-style-type: none"> Multiple stakeholders on counterpart side, with several changes Complex product to be designed (SPV)

Whereas the table describes the characteristics which contributed to the complexity of the different cases, the factors which, on the basis of the analysis of the in-depth evaluations, did **not** have a notable influence on the complexity of the cases and therefore the coordination during the Evaluation Phase were the following:

- Whether the regional or national level was dealt with
- Level of knowledge on FEIs of the counterpart (although a low level of knowledge would require more effort to bring it up)
- The cumulated experience of EIF (i.e. later assignments were not necessarily easier to coordinate and every case in some way was unique)
- Whether EIF managed the subsequent holding fund

Evidence of the use and added value of having local staff present during the Evaluation Phase, i.e. ahead of FA signature, is inconclusive. It appeared useful for coordination in one case – even though this could not prevent long delays in the overall process which were due to political changes; added value could not be identified in two other cases. The main difference between the two cases is that in the first *EIF staff* was on the ground, whereas in the other two these were consultants acting *on behalf of EIF*. However, there is no evidence to prove a correlation.

The analysis of the in-depth reports shows that the level of coordination required, and difficulties in coordination the work with counterparts encountered, depended – not surprisingly – first of all on the *number* of actors involved at the counterpart’s side. Secondly it depended on the *complexity* of the relations that existed locally. In other words, coordination efforts depended very much on the structure

and configuration of the governance systems in place. In all cases – from the uncomplicated to the complex ones – there was a strong relationship between policy and politics, having as effect, for example, that after elections EIF’s interlocutors changed and processes were held up, sometimes compromising previous (coordination) efforts. Working with national and regional authorities implied indeed that EIF became directly confronted to local policy – and sometimes politics. This had an influence on the extent to which the Evaluation Phase (as well as the subsequent Implementation Phase) was coordinated.

Working directly with national and regional authorities was new to EIF and, according to interviews with different EIF staff, it had not realised the difficulty and complexity of the task before starting JEREMIE. Given the positive results, the relationships built up, the number of GAs performed and the current number of JHFs managed by EIF (so prolonging the relationships built up during the Evaluation Phase), it must be concluded that EIF has well lived up to the task of coordinating the efforts of the different actors – insofar it was within its control – at national and regional level during the Evaluation Phase. EIF has therefore taken up this new role of working with MAs in a satisfactory manner. Work with this new type of client was deemed so important for the organisation that in 2008 it led to the creation of a new unit within the EIF organisation (RBD).

8.6 COMMUNICATION WITH THE EC

Communication with the EC for the JEREMIE Evaluation Phase took place at different levels:

- A joint DG REGIO/EIF presentation made to all DG REGIO staff on 1 December 2005, ahead of the start of JEREMIE.
- Systematic presentations to all DG REGIO geographical desks were made in the first three months of the initiative by a representative of DG REGIO D3 accompanied by two EIF JEREMIE representatives. This meant to enable the geographical desks to “sell” JEREMIE to the MAs. In some cases MAs were represented during such meetings. Another series of presentations to DG REGIO desks was made early Dec 2006.
- Through the contacts with individual MAs during the initial marketing of the JEREMIE initiative. After the first experiences in Spain where EIF started out on its own (see above), regional desks (DG REGIO) were involved especially for the initial contacts and DG REGIO was generally represented during the kick-off meetings organised at national level. Once the work with individual countries started DG REGIO was generally no longer directly involved (other than through the SF Steering Committees which dealt, inter alia, with JEREMIE insofar it was financed under the SF).
- But in particular through the JSC which gathered on average three times a year during the 2006-2010 period, and regular communication during the periods in between those meetings.

Marketing of the JEREMIE initiative to the DG REGIO geographical desks was needed as DG REGIO staff was not experienced with FE and had to be familiarised with the technicalities of the JEREMIE initiative – especially the concept of holding fund – the essence of which was not necessarily easy to grasp for non-experts. Although involved in the beginning of the initiative, the remainder of the Evaluation Phase showed less involvement of DG REGIO’s geographical desks.

The nexus between EIF and EC was the JSC. The JSC consisted initially of 7 and later 9 members (3 EIF, 3 EC plus 1 (non-voting) EIB member, increased to 4-4-1). The JSC was high level, comprising, inter alia, DG REGIO’s DG and Deputy DG or other Director, as well as EIF’s CE and Deputy CE. At several occasions the EIB VP member of EIF Board participated to meetings. The Head of JEREMIE was the committee’s secretary. From 2006 to 2009 this committee gathered 11 times (see insert).

2006	12/06	2008	17/04
	13/10		24/06
	12/12		21/11
2007	27/03	2009	08/07
	17/07		26/10
	15/11		

Recurrent items on the agenda of the JSC were:

- GA template (in the first year)
- Operational progress of the Evaluation Phase in terms of the GAs produced and increasingly of the Implementation Phase
- Critical implementation and compliance issues (anticipating the Implementation Phase); see Section 7.1.2 for a discussion
- EC-EIF contribution agreements (contents and volumes)
- EIF budget and staff issues relating to JEREMIE

More ad hoc issues discussed were the possibility of establishing JEREMIE outside the EU, possible ESF funding, EIB funding of national contribution and the monitoring system established in view of the implementation of holding funds.

In view of the JSC meeting minutes and the (abundant) correspondence outside these meetings, it must be concluded that from the side of the EIF communication was open and transparent. EIF understood that it had to move quickly on JEREMIE. It therefore flagged issues in the JSC and parallel correspondence generally as soon as they were identified. The majority of “critical implementation issues” were identified and first discussed very early on in the process, that is, in the first two to three JSC meetings, only the last two points (in the exhibit Section 7.1.2) coming up early 2007. Even though they were eventually resolved, it was generally very time-consuming getting EC responses to EIF’s queries, and therewith hampered the quick resolution of issues that were crucial for JEREMIE progress (especially implementation) in the member states. The length of time to respond was in part due to the need for DGREGIO to refer matters outside their competence to other services within the EC and in some cases the conclusion was that in any case it was the MAs who were responsible for making the decision on, for example, eligibility.

8.7 QUALITY OF WORK

The assessment of the quality of EIF’s work focuses on the quality of the GAs and the quality of the complementary activities.

8.7.1 Quality of GAs

With the exception of one report for which an SME survey was held, the GAs normally relied on *secondary material* sometimes complemented with stakeholder interviews. The reports were hence a combination of an analysis of existing macro-economic and/or regional data, an inventory of existing structures and initiatives, and an analysis of statistical material on the SME situation. In many countries studies on SME finance needs existed, and therefore an added value had to be defined to a report which could be easily viewed as “again another SME report”. The difference that the GA aimed to make was as follows: starting from the idea that the GA ultimately should prepare for an Action Plan containing recommendations for the structure of a holding fund, it contained an analysis of all possible financial engineering instruments *from a portfolio perspective*, as the holding fund would be a portfolio of instruments. This constituted its originality – which not all MAs may necessarily have grasped as often a reaction was that “we knew all the gaps”.

Microfinance gap assessment method

The approach adopted for the market segment in the area of the ‘socially excluded population’ (microfinance) is as follows. The latest available data for the section of the overall population regarded as ‘at risk of poverty’ is taken as the base population for the segment. Then using historical information for the number of people that have created an enterprise per 1 000 inhabitants, this percentage rate is applied to the segment population. This approach generally yields very high demand figures, explaining that in some GAs the need/gaap for microfinance was estimated at several billions of Euros.

A comparison of the 55 GAs shows that the depth of the studies is highly variable between reports, ranging from quite general statistical analyses to very detailed descriptions of the different actors at regional levels involved, the types of instruments they currently propose and overlaps. Even though despite a far-going harmonisation (and therewith economies of scale) efforts were made to provide region-specific accounts, in some cases general statements are adapted simply by exchanging one region’s name for another.

The variety in depth between GAs is echoed by the beneficiaries of the GA reports, i.e. the national or regional authorities. In 7 out of the 10 cases the GA was unanimously characterised as being of good quality and found region/country specific. EIF's contributions on financial engineering were viewed as highly professional and testifying of an in-depth knowledge in this area. A weakness mentioned more than once is that a recommendation for a specific instrument was not always backed up by evidence and sometimes going against the evidence. In two cases (both related to guarantees) this led to the impression – according to EIF unjustified – on the side of the MA that EIF were pushing a product which they preferred to use rather than reflecting what the market lacked.

In the three other cases the quality of the GA is questionable. This related to lack of information without necessarily the efforts being made to collect it; to non-validation of the GA by the MA as the discussions on gaps was overshadowed by discussions on the OPs which should contribute making the GA not so relevant for the definition of the JHF; and to very high figures proposed in one case for the microfinance instrument by applying the method recommended by EIF (which generally led to very high estimates for microfinance).

From the in-depth studies the quality of the GAs overall comes out as satisfactory and this is largely confirmed by the telephone survey, despite the fact that those MAs did not follow up with a JHF. The majority of respondents deemed the GA helpful and one characterised it as critical. Most respondents also found that the GA recommendations addressed the perceived problems or at least partly and more than half deem that the GA drew upon all relevant sources of information.

8.7.2 Quality of complementary activities

Complementary activities ranged from the formulation of the (draft) FA to the development of the SPV model and in one case a substantial contribution to a country's change in legislation (see Section 7.1 on contribution). As discussed in Chapters 3 and 4 the complementary activities were not only deemed to be highly relevant but also unanimously considered to be of high quality.

8.8 CLIENT RELATIONS

Client relations overall are judged satisfactory by EIF's counterparts and expressions such as "professional", "constructive", "experienced", "helpful" and "courteous" were used to characterise EIF. This notwithstanding, both the in-depth evaluations and the telephone survey point at areas where expectations were not totally met and which therefore leave room for improvement:

- Delays in the process both during the GA elaboration in some cases (e.g. because several studies were processed in parallel) but more generally related to the period during which complementary activities were carried out, even if they were sometimes out of EIF's control, did not improve relationships with the counterparts as EIF was viewed as the interface between the MA and the JEREMIE initiative and was thought to have more control over the process than it realistically had. EIF may not always have explained its role in the JEREMIE process well enough. EIF may also not always have understood what it meant to work in a political arena, where its counterparts (of regional and national authorities) are commanded and driven by politicians who need to see (short term) results (see above section on newness of dealing with national and regional authorities). In several cases this has led to tensions between EIF and MA from time to time even if (for those who continued with EIF as fund manager) these seem to have been laid aside now.
- Partly related to the previous point, the fact that the regulation for JEREMIE was not sufficiently appropriate came in several cases as a surprise, as it was expected the regulation would have been settled before the initiative. Although it is fair to say that MAs (through their national correspondents with the EC) could have had an influence on the SF regulations, in reality this does not seem to have been the case and also here EIF (or the EC for that matter) could have been clearer on the fact that it had very little influence on the regulation – and, as was suggested years later, that JEREMIE was an "experiment."
- In some cases MAs suggested that efforts could have been made in terms of language – both the national language and the technical language used. As concerns the national languages, despite comments of some MAs it must be said that EIF did make a major effort in many countries to have the GAs provided in national language with only the executive summary in English. In terms of the use of technical language, the MAs being no specialists in FE, EIF could have made efforts to be

more pedagogical. In some case it was suggested it could have been more pedagogical towards politicians.

- The dual EIF role of advisor and future fund manager was sometimes not appreciated and not well understood.

Finally, in several cases contacts were intermittent and the process stalled for certain periods, especially after elections. This was generally outside of EIF's control (see also Section 5.2, on timeliness).

APPENDIX 1 TELEPHONE SURVEY RESULTS

A1.1 Methodology and sampling

The Evaluation Phase of the JEREMIE initiative could lead to three main outcomes: (1) a country/region could not accept EIF's offer to have a GA conducted; (2) it could have a GA conducted but subsequently decide to not go ahead with a JHF; (3) it could decide after the GA to actually implement a JHF which could be with or without EIF as fund manager. The overall methodological approach was to represent these three different outcomes. The cases where a JHF was implemented were the subject of a site visit and an in-depth report, as this would allow for a more detailed study of the effectiveness of the GA in terms of the JHF eventually established. In the other cases, where there was no JHF, and sometimes not even a GA, and where there was therefore simply less to be analysed, it was not found efficient to conduct site visits: a telephone survey was chosen as alternative.

The methodological approach for the telephone survey constituted an integral part of the overall methodological framework of the evaluation of the JEREMIE Evaluation Phase. The overall sampling strategy was as follows. From EIF documents studied 69 concrete cases (countries, regions, sub-regions) were identified for which EIF actively established a contact with a view to performing a Gap Analysis, establishing a JEREMIE Holding Fund, or both. As indicated above, this process had three possible outcomes (status as at May 2010):²²

- A country/region had a GA conducted, and this was followed-up with a JHF (21)
- A country/region had a GA conducted, not followed-up with a JHF (42)
- A country/region had no GA conducted (6)

The telephone survey focused on the last two sets of countries/regions, with sampling as follows.

Type	# cases	response	overall rate
Gap Analysis without follow-up	42	13	31%
Countries/regions without Gap Analysis	8	6	75%

Questionnaires were designed on the basis of the evaluation questions outlined in the Issues Paper. They are provided at the end of this Appendix.

A1.2 Results

This section briefly discusses the results of the two surveys.

a) *MA's with GA but without a JHF*

From the 20 MAs approached only 13 finally participated in the survey, yielding a total of 12 valid questionnaires (one questionnaire being not totally filled due to lack of knowledge on the side of the interviewee on the subject and therefore not taken into account in the analysis), i.e. nearly 30% of cases which had seen a GA conducted without leading to a follow-up in the form of a JHF. The 12 cases cover 8 different countries. Fund sizes proposed by the GA range from EUR 20 m to more than EUR 500 m; the funds proposed cover all

²² During the course of the work it turned out that contrary to initial information provided by EIF, some countries/regions in the meantime had decided to implement a JHF following a GA. Other countries/regions turned out to implement JHFs without having had a dedicated GA (e.g. a national GA followed by a regional JHF).

different types of instruments and represent the overall distribution of instruments as found in the scrutiny of the GAs.

Before JEREMIE

8 respondents claimed that a clear picture existed of the regional gaps in SME finance, before the JEREMIE initiative started. In most cases this was based on own research, however in half the cases respondents were unable to cite a figure for the shortfall identified. The gaps encountered were generally those confirmed later by the GA.

Whereas for 4 regions it was claimed that no alternatives to JEREMIE were explicitly considered, 2 considered grants, 3 FEIs and 2 both types of support. Eleven respondents claim that there was experience with financial engineering in the country/region prior to the JEREMIE initiative. This consisted of small loan and guarantee schemes, sometimes under ERDF, and regional VC schemes co-financed by the regional-national authorities. One respondent claimed to have been practising FE under the SF regulation since 1996. Another respondent suggested that EIF advice under the previous programming period would have been helpful when they implemented FEIs.

Half of the respondents find JEREMIE an appropriate support mechanism for SME finance for their country/region; one does not exclude it may still be implemented. The remainder finds it appropriate for SME finance but not in their country/region. A majority does not find JEREMIE appropriate for SF absorption (only 3 out of the 12 claiming to have had problems with absorption). All respondents but one state that JEREMIE aims and eligibility criteria were made clear in the beginning; all respondents but two state the country/region's role was also made clear.

Of the respondents, 5 claim there were major problems with JEREMIE's compatibility with legislation, one of which explicitly refers to EU regulation; 4 found that there was no problem and 3 were unaware of any issues.

JEREMIE Evaluation Phase / Gap Analysis

None of the countries/regions except two had had dealings with EIF prior to the GA/JEREMIE. 3 found EIF as a partner in JEREMIE unsuitable, 5 had reservations, whereas 4 found EIF a suitable partner. Most (8) felt they had no influence on the process even though most felt adequately informed about it (9). One regional managing authority appeared unaware of the existence of the GA. It turned out to have been produced by EIF for the regional SME agency, without a link to the regional authority.

One respondent characterised the GA as critical to the identification of the problems in the country/region, whereas 8 deemed it helpful. The remaining three found it irrelevant. Half of the respondents judged that the GA recommendations addressed the perceived problems, 5 partly and 1 not at all. Most respondents found the GA specific to the country/regions; 4 did not. More than half deem that the GA drew upon all relevant sources of information. Only 3 feel they were fully involved in the data collection and preparation of the GA, 6 stating to have had limited, and 3 even no involvement. Involvement in selection and supervision of consultants was limited (5 cases) or nil (7 cases). Only in two cases the size of the individual FEIs and the overall envelope proposed by the GA is deemed correct, 4 judge incorrect, and 6 that the overall fund size is analysed correctly not the individual instruments. Existing SME structures are deemed to have been taken into account in 9 cases. Supranational or supra-regional issues were only identified in 2 cases. The time taken to produce the GA is generally found acceptable (3 respondents have no opinion).

Verbal comments regarding the Evaluation Phase fall apart in three groups (see end of this Appendix for citations):

- The GA outcomes are seen as highly relevant and still used (2 comments)
- Ineffective GA outcomes (4 comments), i.e. gaps wrongly estimated, basis for recommendations unclear; proposed fund size far too big
- (Anticipated) implementation problems (3 comments)

GA follow-up

Even though not marked as such in the initial sample, one respondent claims the country/region in the meantime has started to implement a JHF, a second has in the meantime taken up contact again with EIF in view of establishing one.²³ All others have not, to this date. In 4 cases, the GA lead to other initiatives, mainly individual FEIs applied individually through different financial intermediaries. One country/region is considering nevertheless starting a JHF after new ERDF funds will be made available by the EC. Additional verbal comments can be organised into 3 groups:

- The fund size would be too small; problems with co-finance
- There was no benefit to having a HF as FEI could be implemented with the existing structures
- The (anticipated) complexity of the procedures

Role of EIF and EC

The intensity of the (past) cooperation with EIF is considered high in 8 cases, low in 2 and absent or medium in 1 case each. Past cooperation with the EC in the JEREMIE Evaluation Phase was considered high in 4 of the cases, and low (6) or absent (2) in the remainder. Half of the respondents confirm there was added value having EIF's independent opinion; only 3 deem that there has been some knowledge transfer / capacity building.

The verbal comments (see end of this Appendix) were overall positive with regard to conducting the GA even though reservations were expressed with regard to the capacity of EIF to carry out the work in terms of staffing and their ability to "calibrate" individual GAs to country/region's needs; with regard to the implementation procedures once it came to preparing a JHF; and its dual role first as advisor then as potential fund manager. One respondent suggests the GA could have very well been carried out by a national consultant, and states that for his country/region, in view of the upcoming establishment of FEI, this is what is actually done as the GA is in the meantime outdated.

b) MAs without GA

Out of the 8 entities (5 countries and 3 regions) not having asked EIF to conduct a GA, 6 responded. All interviewees but one (who arrived early 2007) were in place at the start of the JEREMIE initiative and often had had longstanding involvement with the SF programmes.

All but one respondent stated that the country/regional authorities had actually been informed of the JEREMIE initiative at its start either directly by EIF or through other ways. A common feature to all countries/regions not having opted for a GA is that they have small volume OPs. The reasons mentioned for not participating were various:

- In two cases the expected critical mass for a JHF was deemed too high in view of the country/region's relevant OP.
- In two other cases FE had been implemented in the past through the national/regional SME support agency and this continued under the new programming period (not revolving back however to the country/region); in one of these cases the OP even explicitly refers to this choice and explains why no JEREMIE fund was going to be set up.
- In one case, EU funds were said to be never used *for SME support* as this would be "cumbersome and complex" in comparison to the use of national budgets.
- Finally in one case the general contours of the OP were said to be ready by the time the JEREMIE initiative was launched and it was difficult to change at that time; the OP contained measures to

²³ This may be after the "cut-off" date, i.e. June 2010, for this evaluation.

improve framework conditions rather than measures targeting SMEs directly. In the latter case the respondent stated that there was interest for JEREMIE for the new programming period however.

In only one case a specific needs assessment was said to have been prepared in the early stages of the 2007-2013 programming period; this showed no shortage of debt finance. In none of the other cases an analysis similar to a GA was made however in one case the ERDF mid-term evaluation (2000-2006) was referred to which had a positive judgment on the FEIs that were applied under the previous programming period.

Financial engineering was deemed appropriate by two countries/regions, one of which plans to apply it in the next programme. Two other regions found it not appropriate as the entry level was deemed to high (which made them not even ask for a GA – see above). The remaining two did not pronounce themselves.

Only one of the countries/regions had had problems with SF absorption and none found JEREMIE relevant for absorption as the final eligibility is what counts. One respondent found an advantage in early disbursement into a fund, as it might prevent from having to decommit funds.

Legal issues with regard to JEREMIE were generally not checked, which is not surprising as these different countries/regions never planned to implement a JHF. In any case legal issues were not mentioned as reason for not implementing a fund. One respondent mentions issues with the eligibility criteria for FE under the previous programming period relating to guarantees and similar to the discussions around eligibility of guarantees under JEREMIE (i.e. eligibility of the portfolio or of defaults only).

Out of the 6 countries/regions interviewed, 5 currently implement FEIs under the SF, the 6th only proposes grants. None of them has a holding fund, but 4 countries/regions channel funding through their national/regional SME agency which in all those cases proposes a variety of debt and equity products to SMEs, leaving, in their view, a similar flexibility as a JHF would be able to offer.

In two cases, EIF was viewed as potentially a suitable partner if a big enough fund could be created.

Finally, as main relevant difference with 2006 the crisis is mentioned which has changed the growth hypotheses underlying the OPs, interest rates, banks' behaviour towards SMEs (less risk), increased finance needs for SMEs, making initiatives like JEREMIE more relevant.

c) Conclusion

The analysis of the two telephone surveys ("GA no JHF" and "no GA") allows us to draw the following conclusions in view of the evaluation questions to be addressed in the evaluation report.

Relevance

The analysis of the first telephone survey results suggest that performing a GA was relevant, not so much in terms of the identification of gaps but in terms of their quantification which in most cases appeared absent. Where a GA was not performed this was the right choice, as those countries/regions for a variety of reasons were not planning to implement a JHF at this stage. It should be noted however, that the majority of these had not performed a formal assessment of SME needs or studies similar to a GA at all. For both groups of respondents, the majority claimed to have had (some) experience with FEI prior to the JEREMIE initiative however not with funds revolving back to a JHF or the country/region itself, that is, FEIs were generally implemented by the national or regional SME agency, to which funds, if any were revolving back. Most respondents find JEREMIE in principle an appropriate mechanism for SME support but only half find it appropriate for their country/region.

Effectiveness

In three quarters of the cases the GA was found helpful or even critical (1 case) to identify national/regional gaps, the same amount of respondents judge the GA specific to the country/region and the same amount also deem existing SME support structures to be correctly taken into account. Half finds that good use was made of data. One third deems that the GA misjudged the situation, i.e. by wrongly estimating gaps, proposing ill-founded recommendations (despite a correct analysis) or proposing too big fund sizes. Inversely, two respondents claim the GA was much appreciated and still referred to today. Most countries/regions seem not to have been closely involved with either the design of the GA or the selection and supervision of consultants.

Efficiency

Although efficiency cannot be quantified with the survey results only, it can be mentioned that the time taken to produce the GA was generally found acceptable and the intensity of the cooperation with EIF judged “high” in two-thirds of the cases where a GA was conducted.

Sustainability

Interestingly, from the 12 regions marked initially as having had a GA *not* resulting in a JHF, one is nevertheless implementing (without EIF) and another one currently preparing (with EIF) a JHF. For the others, reasons for not following up a GA with a JHF are in fact very similar to the reasons for not having a GA at all. In both cases, several deemed – or were explicitly told by EIF – that their contribution would not be high enough for a fund, back then claimed to be needing EUR 50-100 m. Others saw no added value in a JHF and, inspired by past experience, judged they could implement FEIs drawing on ERDF funds through existing structures, mainly national or regional SME agencies applying different types of FEIs, leaving a flexibility similar to a JHF in their view. One third of the countries/regions with a GA and all but one of the “non-GA” countries/regions of the sample would currently implement FEIs under the SF regulations. Together with the two currently implementing/preparing a JHF (see above) this would mean that from the sample half of the countries/regions would apply FE under the ERDF. Some countries/regions also anticipated the complexity of procedures to implement a JHF and were therefore unwilling to continue.

EIF contribution and role

Half of the respondents confirm there was added value having EIF’s independent opinion but only 3 deem that there has been some knowledge transfer / capacity building. The verbal comments give a highly positive impression with regard to conducting the GA even though some reservations were expressed with regard to the specificity of individual GAs, to country/region’s needs and to EIF’s dual role first as advisor then as potential fund manager.

A1.3 TELEPHONE SURVEY RESULTS - VERBAL COMMENTS

Evaluation Phase

Positive remarks / GA analysis highly relevant

- The GA was much better than we could have managed ourselves so it was frustrating that we could not apply (fund size deemed too low).
- The region was aware of the existing gaps between supply and demand for SME finance but it was not well founded. The GA was useful to reconfirm our thoughts. We are currently internally updating and adapting the GA to the new economical situation and assessing (based on the EIF GA) the most appropriate JHF structure. During the evaluation phase, we had contacted other regions to share opinions and decisions regarding the JEREMIE implementation, but we have not considered further supra-regional collaboration.

GA quality (misjudgement of gaps by the GA / questioning the recommendations)

- The GA did not bring any new ideas and came too late to affect our OP. It confirmed the rough size of overall gap [...] but had half of that as guarantees which we felt not needed, and too high a figure for microfinance as well. There was interest in the EIB co-finance but a clear proposal was never made.
- The GA analysis was highly relevant, precise and specific to the region – we still sometimes refer to it – but the recommendations were not, and it was not well understood where they were based upon. For the loan instrument which is currently implemented by the region an additional "gap analysis" was done by the region itself. We are also considering a capital investment fund aimed at the development of companies, but this will not necessarily be financed by ERDF funds. The problem is not so much to find the public funding but the private funding.
- EIF recommendation was far too high for what we felt we needed [this country/region is setting up a fund of about 15% the initial proposal]
- Good comments on the evaluation, main gaps identified, addressed the correct issues but too big investments proposed, not available for this region thus impossible to follow up.

Implementation problems

- Clarity in regulation and audit issues is needed. The SF are over-regulated so in the end the MA will always have to ask whether there will be problems in eligibility so it is extremely important that rules are clear otherwise MAs may choose the safe side and revolve back to funds. Even the current COCOF discussion is not conclusive and blocks and demotivates everybody.
- We were interested and worked for 18 months with EIF and EIB to develop our plans but ultimately we did not like the private SPV idea as used by English RDAs to avoid EIB loan on balance sheet and decided not to take the loan so went back to what we were doing before.
- Disappointing that no solution could have been found at national level. We would have liked to have had EIF involved even at advisory level but once the national fund was ruled out and smaller regional funds proposed instead they did not seem interested.

Why no JHF? Are alternatives implemented?

The fund size would be too small; problems with co-finance

- We were interested in the initiative but funds were too limited and we could only allocate a maximum of EUR 7 m. EIB advised it was not worth doing it under EUR 50 m.
- The OP already distributed funds to the regions and from the central pot on EUR 1 m was left for SMEs, judged too small an amount for a JHF.

- We were interested in the fund but it was too small to be done by EIF, even by ourselves. We considered an interregional fund but this turned out not to be possible.
- We could not get regions to relinquish funds into a national JHF and [we thought] EIF would not agree to multiple small regional funds.
- We were very interested in JEREMIE but could not get the national ministries to provide co-finance so had to approach the regions and try to get them to contribute.

There was no benefit to having a HF as FEI could be implemented with the existing structures

- We did not see that the HF offered any real advantages. By starting small with individual FEIs and seeing how they develop we aim to obtain the same level of flexibility
- We are doing a similar thing not in a HF but having different FEIs managed by the [national SME agency], drawing on the ERDF, the [agency] acting as a kind of fund manager. We did not see an added value from EIB or EIF.
- We decided to have our own VC fund as we are a pioneering region in this area.

The complexity of the procedures

- We were very much in favour of applying JEREMIE here, but when we wanted to go ahead it turned out to be a very complex procedure which had not stabilised; additionally EIF costs were very high; given the small size of [the region] we could not politically afford ourselves to make any mistakes contrary to bigger places like [...] where JEREMIE would have represented a smaller share. We did not want to have existing tools compete with new tools under JEREMIE either. And finally we had the feeling that externalising management to EIF would depossess us from the initiative.
- We did not want to further complicate a regional SME finance system which is already very complex; a HF is complex and should be voluminous and may be something for national level rather than regional level - it is very complex to manage; we also wanted dedicated not generic instruments which we were afraid of in case EIF would manage it.
- We were very much interested but when we learned more about the implementation procedure we discovered the complexity of the procedures and the disproportion between the efforts needed and the expected results. To implement the initiative the way it was proposed, the region would not have enough autonomy and there would be too much supervision and control from the EC. Another important reason for not taking on board the initiative was the move from the convergence to regional competitiveness and employment objective. That entailed a reduction of budget available and they thought that the expected results for JEREMIE would not compensate the efforts in the implementation.

Relations with / role of EIF / EC

EIF

- No problems with EIF but we think they did not have enough people to really do the detailed work needed. JEREMIE does not seem to have been "calibrated" to the capabilities of the countries and was a one size fits all approach.
- Relations were good but I'd but suggest to shorten procedures and remove administrative barriers
- We are very pleased with the EIF performance, especially with all advice and support received. We were fully informed of the initiative's objectives but initially had difficulties understanding the implementation procedures. This is now resolved and we are seriously considering EIF as manager of the JHF [a region which initially did not plan to have a HF but late in the programming period changed its views].
- The level of cooperation with EIF was good; we learned we were on the right track, and acquainted some experience concerning FE and juridical aspects

- Very good. Helpful at all times, but unfortunately not able to help with a [too small] budget.
- Good and we would like to work with them again in future if they can get away from the rigidly regional approach within the country. May now need to look again at guarantees in the context of internationalisation. Would welcome a forum for feedback from JEREMIE [which as a matter of fact exists in the form of the JEREMIE networking platform this respondent was unaware of].
- The dual EIF role of advisor and future fund manager was not much appreciated in the region.
- For the Evaluation Phase, in view of the GA results, the work could as well have been performed by national consultant. As a matter of fact the [ministry in charge] has recently published a report on JEREMIE FEI performed by an external consultancy.

EC

- We have a positive view of EIF but not of JEREMIE. The EC is not very responsive in addressing clarifications of the regulations.
- No problem with EIF but extreme dissatisfaction with response from EC to requests for guidance.

A1.4 TELEPHONE SURVEY RESULTS - Questionnaire “GA without JHF”

The questionnaire was administered during the period Nov-Dec 2010.

Summary Data

Country	
Region	
Interviewee name & function	
Interviewee year of arrival	
Managing Authority / Institution	
Operational Programme(s) concerned	
Main priorities for SMEs	

GA DATA	
Instruction date	
GA date	
Fund Size Proposed	EUR m
Summary of GA Findings	
Main Financial Instruments	<input type="checkbox"/> µ finance <input type="checkbox"/> Guarantees for µ fin <input type="checkbox"/> Guarantees – other <input type="checkbox"/> Seed capital <input type="checkbox"/> VC <input type="checkbox"/> TT <input type="checkbox"/> BA <input type="checkbox"/> Other

Telephone Interview

JEREMIE INCEPTION
Did you already have a clear picture of the gaps between supply and demand for SME finance
If yes - On what was this based?
What were the main FEIs needed?
What were the main problems identified?
Could you put a figure to the shortfall in supply at that time?
Were any alternatives considered (<i>if finally decided for own JHF fill in below</i>).
Were other Initiatives implemented? (<i>if finally decided for own JHF see below</i>).
Was there past experience of FE in the country/region?
If yes what?
Did you think JEREMIE appropriate for SME finance
Were there SF absorption problems
Did you think JEREMIE appropriate to improve absorption
Were the aims, objectives and eligibility criteria of JEREMIE made clear to you
Was your role in JEREMIE made clear to you?
JEREMIE INCEPTION (continued)
Was JEREMIE compatible with your national legislation and EU regulations?

Yes
N/A
<input type="checkbox"/> Micro finance <input type="checkbox"/> SME loans <input type="checkbox"/> SME guarantees <input type="checkbox"/> Venture Capital <input type="checkbox"/> Other
<input type="checkbox"/> No <input type="checkbox"/> Non-J State FE <input type="checkbox"/> Grants <input type="checkbox"/> Private sector
<input type="checkbox"/> No <input type="checkbox"/> National/regional <input type="checkbox"/> CIP <input type="checkbox"/> Other EIF <input type="checkbox"/> Other EU
Yes
No opinion
Yes
Yes
yes
yes
Not looked at

Did you have any dealings with EIF before JEREMIE?
Suitability of EIF as a partner
Did you feel you had any influence on the process?
Did you feel adequately informed
General comments on Inception Phase
JEREMIE EVALUATION PHASE
Was the EIF GA critical to the identification of the problems in your region / country?
Did the recommendations address the perceived problems?
Did the GA address specific regional issues or was it generic?
Did it draw upon all sources of information?
MA involvement in data collection and preparation of GA?
MA involvement in selection and supervision of consultants?
Size of individual FEIs and overall envelope correct?
Existing SME support structures taken into account?
Supranational issues identified?
Time taken to produce GA acceptable?
Do you today have a JEREMIE or JEREMIE like Fund? If not, what were main reasons for deciding not to proceed with a JHF?
Did GA lead to any other initiatives?
General comments on Evaluation Phase
EIF/EC CONTRIBUTION
How would you characterise the level of cooperation you had with the EIF?
How would you characterise the level of cooperation you had with the EC?
Was there any added value in getting an independent opinion from EIF?
Did transfer of knowledge or capacity building on FE take place by EIF?
Overall opinion of EIF performance

No	
Suitable	
Yes	
Yes	
Answers apply to GA prepared by EIF	
Critical	
Yes	
Specific	
yes	
Zero	
Zero	
All correct	
Yes	
Yes	
Yes	
Yes COMMENT:	
Low	
Low	
Yes	
Yes	

A1.5 TELEPHONE SURVEY RESULTS - Questionnaire “ non-GA”

This questionnaire contained open questions only contrary to the “GA” questionnaire which contained both closed and open questions. The questionnaire was administered during the period Nov-Dec 2010.

1. Country
2. Region
3. Interview date
4. Interviewee
5. Organisation
6. Function
7. Was the interviewee present in 2006?
8. What were the main reasons to not participate
9. Was there any previous experience with FE in the country/region (not necessarily revolving to the level of the country/region itself)
10. Was an own GA-like analysis ahead of the 2007-2013 programming period?
11. If so, what were main needs/main failures identified?
12. Was JEREMIE thought and appropriate initiative to fill the gaps?
13. Did the country/region have any problems with SF absorption?
14. Was/is JEREMIE deemed appropriate as a means to better absorb SF?
15. Were there any issues with compatibility of the JEREMIE initiative with the legislation
16. Does the country/region today have a JHF or FEIs today? If so what?
17. Were any alternative approaches considered
18. Was/is EIF deemed a suitable partner?
19. What are the key differences between 2006 and 2010 that might have influenced your choice for implementing a JHF or FEI more broadly?
20. Any other remarks or suggestions?

APPENDIX 2 EVALUATION PROCESS AND CRITERIA

In accordance with EV's Terms of Reference, the objectives of evaluation are:

- To assess the quality of the operations financed, which is assessed using generally accepted evaluation criteria, in particular those developed by the Evaluation Cooperation Group, which brings together the evaluation offices of the multilateral development banks. The criteria are:

a) Relevance corresponding to the first pillar of value added: is the extent to which the objectives of a project are consistent with EU policies, as defined by the Treaty, Directives, Council Decisions, Mandates, etc., the decisions of the EIB Governors, as well as the beneficiaries' requirements, country needs, global priorities and partners' policies. In the EU, reference is made to the relevant EU and EIB policies and specifically to the EU Treaty that defines the mission of the Bank. Outside the Union, the main references are the policy objectives considered in the relevant mandates.

b) Project performance, measured through **Effectiveness (efficacy)**, **Efficiency** and **Sustainability** and second pillar of value added.

Effectiveness relates to the extent to which the objectives of the project have been achieved, or are expected to be achieved, taking into account their relative importance, while recognising any change introduced in the project since loan approval.

Efficiency concerns the extent to which project benefits/outputs are commensurate with resources/inputs. At ex-ante appraisal, project efficiency is normally measured through the economic and financial rates of return. In public sector projects a financial rate of return is often not calculated ex-ante, in which case the efficiency of the project is estimated by a cost effectiveness analysis.

Sustainability is the likelihood of continued long-term benefits and the resilience to risk over the intended life of the project. The assessment of project sustainability varies substantially from case to case depending on circumstances, and takes into account the issues identified in the ex-ante due-diligence carried out by the Bank.

Environmental and Social Impact of the projects evaluated and specifically considers two categories: (a) compliance with guidelines, including EU and/or national as well as Bank guidelines, and (b) environmental performance, including the relationship between ex ante expectations and ex post findings, and the extent to which residual impacts are broadly similar, worse or even better than anticipated.

Evaluations take due account of the analytical criteria used in the ex-ante project appraisal and the strategy, policies and procedures that relate to the operations evaluated. Changes in EIB policies or procedures following project appraisal, which are relevant to the assessment of the project, will also be taken into account.

- To assess the EIB contribution (*Third Pillar*) and management of the project cycle:

EIB Financial contribution identifies the financial contribution provided in relation to the alternatives available, including improvements on financial aspects as facilitating co-financing from other sources (catalytic effect).

Other EIB contribution (optional) relates to any significant non-financial contribution to the operation provided by the EIB; it may take the form of improvements of the technical, economic or other aspects of the project.

EIB Management of the project cycle rates the Bank's handling of the operation, from project identification and selection to post completion monitoring.

EUROPEAN INVESTMENT BANK OPERATIONS EVALUATION (EV)

In 1995, Operations Evaluation (EV) was established with the aim of undertaking ex-post evaluations both inside and outside the Union.

Within EV, evaluation is carried out according to established international practice, and takes account of the generally accepted criteria of relevance, efficacy, efficiency and sustainability. EV makes recommendations based on its findings from ex-post evaluation. The lessons learned should improve operational performance, accountability and transparency.

Each evaluation involves an in-depth evaluation of selected investments, the findings of which are then summarized in a synthesis report.

The following thematic ex-post evaluations are published on the EIB Website:

1. Performance of a Sample of Nine Sewage Treatment Plants in European Union Member Countries (1996 - available in English, French and German)
2. Evaluation of 10 Operations in the Telecommunications Sector in EU Member States (1998 - available in English, French and German)
3. Contribution of Large Rail and Road Infrastructure to Regional Development (1998 - available in English, French and German)
4. Evaluation of Industrial Projects Financed by the European Investment Bank under the Objective of Regional Development (1998 - available in English, French and German)
5. An Evaluation Study of 17 Water Projects located around the Mediterranean (1999 - available in English, French, German, Italian and Spanish).
6. The impact of EIB Borrowing Operations on the Integration of New Capital Markets. (1999 – available in English, French and German).
7. EIB Contribution to Regional Development A synthesis report on the regional development impact of EIB funding on 17 projects in Portugal and Italy (2001 – available in English (original version), French, German, Italian and Portuguese (translations from the original version)).
8. Evaluation of the risk capital operations carried out by the EIB in four ACP countries 1989-1999 (2001 - available in English (original version), French and German (translations from the original version)).
9. EIB financing of energy projects in the European Union and Central and Eastern Europe (2001- available in English (original version), French and German (translations from the original version))
10. Review of the Current Portfolio Approach for SME Global Loans (2002 – available in English (original version), French and German (translations from the original version)).
11. EIB Financing of Solid Waste Management Projects (2002 – available in English (original version), French and German (translations from the original version)).
12. Evaluation of the impact of EIB financing on Regional Development in Greece (2003 – available in English (original version) and French (translation from the original version)).
13. Evaluation of Transport Projects in Central and Eastern Europe (2003 – available in English (original version)).
14. EIB Financing of Urban Development Projects in the EU (2003 – available in English (original version), French and German (translations from the original version)).
15. Evaluation of the Projects Financed by the EIB under the Asia and Latin America Mandates (2004 – available in English (original version), French, German and Spanish).
16. Evaluation of EIB Financing of Airlines (2004 – available in English (original version) French and German)
17. Evaluation of EIB Financing of Air Infrastructure (2005 - available in English (original version) German and French)
18. EIB financing with own resources through global loans under Mediterranean mandates (2005 - available in English (original version) German and French.)
19. Evaluation of EIB Financing of Railway Projects in the European Union (2005 - available in English (original version) German and French.)
20. Evaluation of PPP projects financed by the EIB (2005 - available in English (original version) German and French).

EUROPEAN INVESTMENT BANK OPERATIONS EVALUATION (EV)

21. Evaluation of SME Global Loans in the Enlarged Union (2005 - available in English (original version) and German and French.)
22. EIB financing with own resources through individual loans under Mediterranean mandates (2005 - available in English (original version) and German and French.)
23. Evaluation of EIB financing through individual loans under the Lomé IV Convention (2006 - available in English (original version) German and French.)
24. Evaluation of EIB financing through global loans under the Lomé IV Convention (2006 - available in English (original version) German and French.)
25. Evaluation of EIB Investments in Education and Training (2006 - available in English (original version) German and French.)
26. Evaluation of Cross-border TEN projects (2006 - available in English (original version) German and French).
27. FEMIP Trust Fund (2006 - available in English.)
28. Evaluation of Borrowing and Lending in Rand (2007 - available in English (original version) German and French).
29. Evaluation of EIB Financing of Health Projects (2007 - available in English (original version) German and French).
30. Economic and Social Cohesion - EIB financing of operations in Objective 1 and Objective 2 areas in Germany, Ireland and Spain (2007 - available in English. (original version) German and French)
31. Evaluation of EIB i2i Research, Development and Innovation (RDI) projects (2007 - available in English) (original version) German and French).
32. FEMIP Trust Fund - Evaluation of Activities at 30.09.2007 (2007 - available in English.)
33. Evaluation of Renewable Energy Projects in Europe (2008 - available in English (original version) German and French).
34. Evaluation of EIF funding of Venture Capital Funds – EIB/ETF Mandate (2008 - available in English.)
35. Evaluation of activities under the European Financing Partners (EFP) Agreement (2009 – available in English) (original version) and French).
36. Evaluation of Lending in New Member States prior to Accession (2009 – available in English)
37. Evaluation of EIB financing of water and sanitation projects outside the European Union (2009 – available in English) (original version) and French).
38. EIF Venture Capital Operations: ETF and RCM Mandates (2007 – available in English)
39. Portfolio and Strategy Review - EIB Activities in “2007 Partner Countries” from 2000 to 2008 (2009 – available in English (original version) and French).
40. Evaluation of EIB Financing in Candidate and Potential Candidate Countries between 2000 and 2008 (2009 – available in English (original version) and French).
41. Evaluation of Operations Financed by the EIB in Asia and Latin America 2000 and 2008 (2009 – available in English (original version) Spanish and French).
42. Evaluation of Operations Financed by the EIB in Neighbourhood and Partnership Countries between 2000 and 2008 (2009 – available in English (original version) French and German)
43. Evaluation of Special Dedicated Global Loans in the European Union between 2005 and 2007 (2009- available in English (original version) and French)
44. Evaluation of i2i Information and Communication Technology (ICT) projects (2009- available in English (original version) and French)
45. Evaluation of Activities under the Risk Sharing Finance Facility (RSFF) (2010- available in English (original version) and French)).
46. Evaluation of the EIB's role in the JASPERS Initiative (2011- available in English)
47. Ex-post Evaluation of the JEREMIE Evaluation Phase - Synthesis report and responses (2011- available in English).

These reports are available from the EIB website:

<http://www.eib.org/projects/evaluation/reports/operations/index.htm>

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