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Evaluation of the European Union External Action

Evaluation of the implementation of EU Blending in the EU Neighbourhood and the Western Balkans regions in 2015-2021

Synthesis Report

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Neighbourhood and Enlargement Negotiations

Prepared by:

particip

Lead company
Merzhauser Str. 183
D-79100 Freiburg

ECORYS

European Centre for Development Policy Management
ecdpm

Mancala CONSULTORES

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Contact information:

European Commission
Directorate-General for Neighbourhood and Enlargement Negotiations – DG NEAR
Unit A.4 - Coordination of financing instruments - performance, results and evaluation
Email: NEAR-EVAL-MONITORING@ec.europa.eu
B-1049 Brussels, Belgium

European Neighbourhood and Enlargement Negotiations
https://ec.europa.eu/neighbourhood-enlargement/monitoring-and-evaluation_en

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List of Abbreviations and Acronyms

AFD	Agence Française de Développement
COVID-19	2019 Coronavirus Pandemic
CSO	Civil Society Organisation
DCFTA	Deep and Comprehensive Free Trade Agreement
DG NEAR	Directorate-General for Neighbourhood and Enlargement Negotiations
EBRD	European Bank of Reconstruction and Development
EC	European Commission
EDIF	Enterprise Development and Innovation Facility
EE	Energy Efficiency
EFSD	European Fund for Sustainable Development
EFSD+	European Fund for Sustainable Development Plus
EIB	European Investment Bank
EIF	European Investment Fund
EIP	External Investment Plan
ENI	European Neighbourhood Instrument
EPBD	Energy Performance of Buildings Directive
EPTATF	Eastern Partnership Technical Assistance Trust Fund
EQ	Evaluation Question
EU	European Union
EU MS	European Union Member State
EUD	European Union Delegation
FEMIP TF	Facility for Euro-Mediterranean Partnership Trust Fund
FINTECC	Finance and Technology Transfer Centre for Climate Change
GAF	Grant Application Form
GDP	Gross Domestic Product
GGF	Green for Growth Fund
GWh	Gigawatt-hour
HQ	Headquarters
IFI	International Financial Institution
IFICO	International Financial Institution Co-ordination
IG	Investment Grant
IPA	Instrument for Pre-Accession Assistance
ISG	Inter-service Steering Group
JC	Judgement criterion
KFW	Kreditanstalt für Wiederaufbau
MFF	Multiannual Financial Framework
MSME	Micro, Small and Medium Enterprises
MW	Megawatt
MWh	Megawatt-hour
NIP	Neighbourhood Investment Platform
PFI	Partner Financial Institution
PSD	Private Sector Development
REEP	Regional Energy Efficiency Programme
RMF	Results Monitoring Framework
ROM	Results Oriented Monitoring
SDG	Sustainable Development Goal
SME	Small and Medium Enterprises
SUNREF	Sustainable Use of Natural Resources and Energy Finance
TA	Technical Assistance
WBIF	Western Balkans Investment Framework

EXECUTIVE SUMMARY

EVALUATION OF THE IMPLEMENTATION OF EU BLENDING IN THE EU NEIGHBOURHOOD AND THE WESTERN BALKANS REGIONS

PURPOSE OF THE EVALUATION: To provide an independent assessment of the contribution of the European Union (EU) Blending to the achievement of EU policy objectives in the EU Neighbourhood and Western Balkans regions.

GEOGRAPHIC SCOPE: Enlargement and Neighbourhood (South and East) regions.

TEMPORAL SCOPE: 2015-2021.

THREE SECTORS COVERED: Private Sector Development, Energy and Environment.

FACILITIES IN SCOPE: Neighbourhood Investment Platform (NIP) and Western Balkans Investment Framework (WBIF).

CONTEXT

In the context of EU external action, 'blending' means the combination of EU financial contributions, mainly in the form of grants, with loans or equity from public and private financiers. Since its first introduction in EU external action at the beginning of the Multiannual Financial Framework 2007-2013, blending has increased in importance for the EU and other donors. In parallel, the EU gradually consolidated its blending framework through, among other, specific guidelines.

During the period 2015-2021, the EU approved 181 interventions falling in the scope of this evaluation, amounting to EUR 2.7 billion of EU commitments. In the Enlargement and Neighbourhood contexts, the bulk of EU Blending support was delivered through two regional mechanisms: i) the Western Balkans Investment Framework (WBIF); and ii) the Neighbourhood Investment Platform (NIP), accompanied by a limited number of bilateral interventions.

EVALUATION METHODOLOGY

The evaluation followed a theory-based approach that relied on mixed methods to assess the contribution of EU Blending to the achievement of EU policy objectives. The design chosen was based on multiple case studies, with data collection activities being carried out during an extensive desk phase and a consecutive field phase. The terms of reference of the evaluation presented key issues that determined the focus of the analysis. To further guide data collection and analysis, the team developed a detailed evaluation matrix, structured around six evaluation questions:

- three questions focussed on the design and negotiation, results-oriented delivery and cooperation amongst European actors.
- three questions focussed on the effects of EU support channelled through blending in the three focal sectors.

The combination of tools and methods used for data collection and analysis varied according to the different evaluation questions. Multiple sources were systematically used to triangulate the information collected whenever possible.

6 CASE STUDIES

Comprising three country case studies and three thematic case studies.

3 FIELD VISITS

A total of three field missions were implemented – two on-site (Georgia and North Macedonia) and one remote (Morocco).

+5,000 DOCUMENTS

Over 5,000 documents on all levels were consulted, ranging from EU regulations to sector studies and progress reports related to individual interventions.

+168 INTERLOCUTORS

Interlocutors consulted were primarily EU staff at HQ and in the field, EU Member States, international, regional and bilateral partners, country-specific authorities and country specific civil society organisations.

+123 participants

The contributions from over 120 respondents to the online survey enabled evidence from other sources of information to be strengthened and corroborated.

MAIN FINDINGS

- EU Blending responded to important needs in partner countries with evidence converging on its strategic relevance in the EU external action portfolio deployed in the Western Balkans and Neighbourhood regions.
- Blending was not a new modality at the start of the evaluation period. But, it was still maturing as a key modality for EU external action. A profound revision of the guidelines and continuous adjustments made to the tools and templates employed during programming contributed to strengthening design and delivery processes. EU Blending also benefited from an increasingly solid collaboration with International Financial Institutions (IFIs), including multilateral ones such as EBRD and EIB, and bilateral ones such as AFD and KFW. These improvements continued with the launch of the European Fund for Sustainable Development Plus (EFSD+) and the emphasis on the Policy first principle under the Multiannual Financial Framework 2021-2027.
- Changes in the EU policy framework and disruptive events such as the COVID-19 pandemic have significantly influenced design and implementation processes during the period under review, redirecting the emphasis of the support, and introducing additional complexities into its delivery. The EU and its partners responded flexibly to this rapidly changing environment.
- EU Blending support is contributing to EU policy goals. However, given the long time needed for infrastructure projects to be completed and the focus of the evaluation on interventions approved between 2015 and 2021, actual results could not be observed for a part of the portfolio. Infrastructure investment projects have experienced considerable delays, due to a variety of factors, including insufficient follow-up by co-financiers and limited commitment from national partners. Some interventions also suffered from an overambitious design and insufficient efforts in upstream support.
- While EU Blending played a positive role in the investment projects supported, it was not adequately recognised and exploited, including by the EU itself. This was linked with limited EU capacity to analyse investments from both a financial and non-financial point of view, insufficient strategic use of the EU grants to target projects with the greatest potential for development impact and weak integration with other forms of assistance. TA emerges as the input where EU support shows its strongest added value.
- There is also some confusion about the 'transfer of responsibilities' that is foreseen under EU-IFI delegated agreements. This can be attributed to both the EU Delegations (EUDs), some of which may have relieved their capacity constraints by over-delegating responsibilities to IFIs, and to IFIs, which were reluctant to embrace issues going much beyond the financial services at the core of the supported project. This has weakened the involvement of the different stakeholders, esp. EUDs who can play a pivotal role in EU Blending support.
- Finally, the systems for monitoring, evaluation and learning, including the results frameworks used in individual interventions, have been inadequate for comprehensive implementation follow-up, the joint identification of corrective actions and accountability purposes. The EU and IFIs started addressing some of the issues, in particular with the development of the EFSD+ results measurement framework.
- Despite the challenges identified, this evaluation concludes that, if operationalised appropriately, esp. if leveraged properly through policy dialogue and other forms of support, EU inputs to IFI-led investment projects can contribute significantly to achieving the EU's policy objectives in the future. Against this backdrop, and taking into account the EFSD+ and its emphasis on de-risking investment through larger guarantee support, there is a need to continue providing a balanced attention to all forms of support (including guarantees, blending, budget support and policy dialogue) and fostering synergies between them.

CONCLUSIONS

C1. Strategic relevance

EU Blending support has responded to important needs in partner countries, but its potential to add value to specific investments has not been fully tapped.

C2. Programming and Design

EU Blending support has suffered from various weaknesses in programming and design.

C3. Results

While some blending interventions have led to achievements, many have not delivered their expected results due to important implementation obstacles; moreover, results may only partially align with EU policy priorities.

C4. Monitoring, reporting and learning

Monitoring, reporting and evaluation mechanisms were inadequate for implementation follow-up by the EU and the joint identification of corrective actions; determined steps have been undertaken to address weaknesses.

C5. Stakeholder engagement

EU Blending has been instrumental in fostering collaboration at European level; but, there is scope for strengthening EUDs' role in design and delivery and there have been challenges with stakeholder engagement during implementation.

RECOMMENDATIONS

CLUSTER 1: STRATEGIC RECOMMENDATIONS		
	Recommendation	*What should be done?*
R1	**Enhance the use of EU Blending inputs, better recognising the added value of the support**	• Better recognise the added value of EU inputs by e.g., making more explicit in the project documentation the role that EU support is expected to play in the investme project. • Strengthen the use of TA by e.g.,: i) identifying more systematically the different types of inputs provided and monitoring their use at EU portfolio level; and ii) embedding TA for capacity building and dialogue in broader capacity building efforts supported by the EU. • Strengthen linkages with support to enabling environment by e.g., ensuring stronger involvement of EUDs at design stage and establishing more explicit linkages with EU policy dialogue. • Clarify programming choices by e.g., making more explicit the rationale underpinning choices related to the size and type of EU contributions in each intervention. • Better identify constraints and opportunities regarding financial leverage.
R2	**Tighten focus on EU policy objectives in line with the policy first principle**	• Clarify how individual interventions contribute to EU policy (incl. inclusiveness) objectives, including by developing further and making more explicit the approach to targeting of riskier segments/clients in private sector development interventions. • Promote risk taking by IFIs and PFIs through active dialogue supported by data (incl. data generated in the context of separate EU-funded TA support). • Present more clearly how gender equality dimensions are integrated in individual intervention and how they are likely to be monitored. • Better assess (ex-ante and ex-post) how Blending support contributes to these objectives at the aggregate (e.g., country portfolio) level.

CLUSTER 2: IMPLEMENTATION RECOMMENDATIONS		
	Recommendation	*What should be done?*
R3	**Strengthen monitoring, reporting and learning at both intervention and portfolio level**	• Strengthen results framework of specific interventions. • Improve monitoring/reporting mechanisms at intervention level, by e.g., continuing discussing with IFI ways to improve the content of reporting and expand specific reporting dimensions such as on context and cross-cutting objectives. • Expand monitoring at portfolio level.
R4	**Ensure faster onset of activities and stronger quality at entry by investing more in upstream support**	• Finance more upstream technical support and invest in EU internal analytical capacities to assess investment projects from both a financial and non-financial point of view. • Ensure that time between approval by the board and contracting at IFI level is used to build pipelines (e.g., in the context of private sector support interventions), sign Memorandums of Understanding, start dealing with contracting and procurement issues. • Better calibrate ambitions at design stage.
R5	**Better recognise the important role played by in-country based stakeholders (incl. EUDs and national/local authorities)**	• Reinforce the role of EUDs and identify persisting human resources gaps at EUD and HQ level. • Clarify expectations regarding stakeholder engagement in implementation with all stakeholders. • Enhance engagement of national partners, incl. by seeking early in the process political backing through engagement of high-level decision makers (not only main line ministries).

Prepared by:

particip
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1 Introduction

Structure of the report

This Synthesis Report is the third deliverable of the Evaluation of the implementation of EU Blending in the EU Neighbourhood and the Western Balkans regions in 2015-2021.

The structure of the main report is the following: Chapter 1 presents the objectives, scope and management arrangements of the evaluation; Chapter 2 includes the methodological approach, including main tools and data sources as well as limitations encountered during the process of this evaluation; Chapter 3 present an overview of EU Blending support and its evolution; Chapters 4 and 5 contain the main findings and summary answers to the Evaluation Questions; Chapter 6 presents an overall assessment, putting into context the conclusions of the evaluation; Chapters 7 and 8 present the main conclusions and recommendations. The report also contains annexes such as the sample of interventions, the results of the mapping of EU-funded interventions, eSurvey report and the case study notes.

1.1 Objectives of the evaluation

Purpose and objectives

This evaluation has several general and specific objectives. A general objective is to provide the DG NEAR, other relevant Commission services and key stakeholders with an independent assessment of the contribution of EU Blending to the achievement of EU policy objectives in the EU Neighbourhood and Western Balkans regions. The specific objectives of this evaluation are:

- to provide a qualitative and quantitative assessment on the relevance, the conditions of implementation and the performance of blending as an aid modality, taking into account evaluation criteria of efficiency, effectiveness, sustainability, impact and added value based on the experiences from the implementation of EU Blending interventions;
- to assess the EU cooperation potential and the EU added value; the identification of lessons learnt, best practices and recommendations in regards to efficiency and effectiveness of blending as well as the explanatory factors facilitating or hampering the contribution of blending to EU policy objectives.

1.2 Evaluation scope

Temporal and substantive scope

As set out in the Terms of Reference (ToR), the evaluation focusses on the Instrument for Pre-Accession Assistance (IPA) and European Neighbourhood Instrument (ENI) funding delivered through blending between 2015 and 2021. Considering this temporal scope, the evaluation covered, to a limited extent, the changes in programming and implementation that were introduced by the EC since the launch of the European Fund for Sustainable Development Plus (EFSD+)[1] in 2021.

In terms of geographical scope, the analysis covers all IPA beneficiaries (except Türkiye) and all countries receiving ENI funding. In these geographical areas, EU Blending support was funded through three channels: i) the Neighbourhood Investment Platform (NIP) for the interventions in the Neighbourhood regions; ii) the Western Balkans Investment Framework (WBIF); and iii) IPA bilateral funding in the Western Balkans.

Thematic scope

The thematic scope covers three main sectors: i) private sector development, with a focus on access to finance and competitiveness; ii) energy; and iii) environment, with a focus on water/sanitation and waste management. Although operations focussing on water/sanitation and waste management are an important part of the EU external action in the Western Balkans, the sector was excluded from the scope of the evaluation and is therefore only be covered in the Neighbourhood context.

[1] https://international-partnerships.ec.europa.eu/funding-and-technical-assistance/funding-instruments/european-fund-sustainable-development-plus-efsd_en

Interventions in scope

According to the datasets shared by the Commission with the evaluation team and taking into account the temporal, legal and thematic scope defined in the ToR, there are currently 181 EU Blending interventions falling into the scope of this evaluation, amounting to EUR 2,724 million of EU support (approved amounts).

2 Key methodological elements

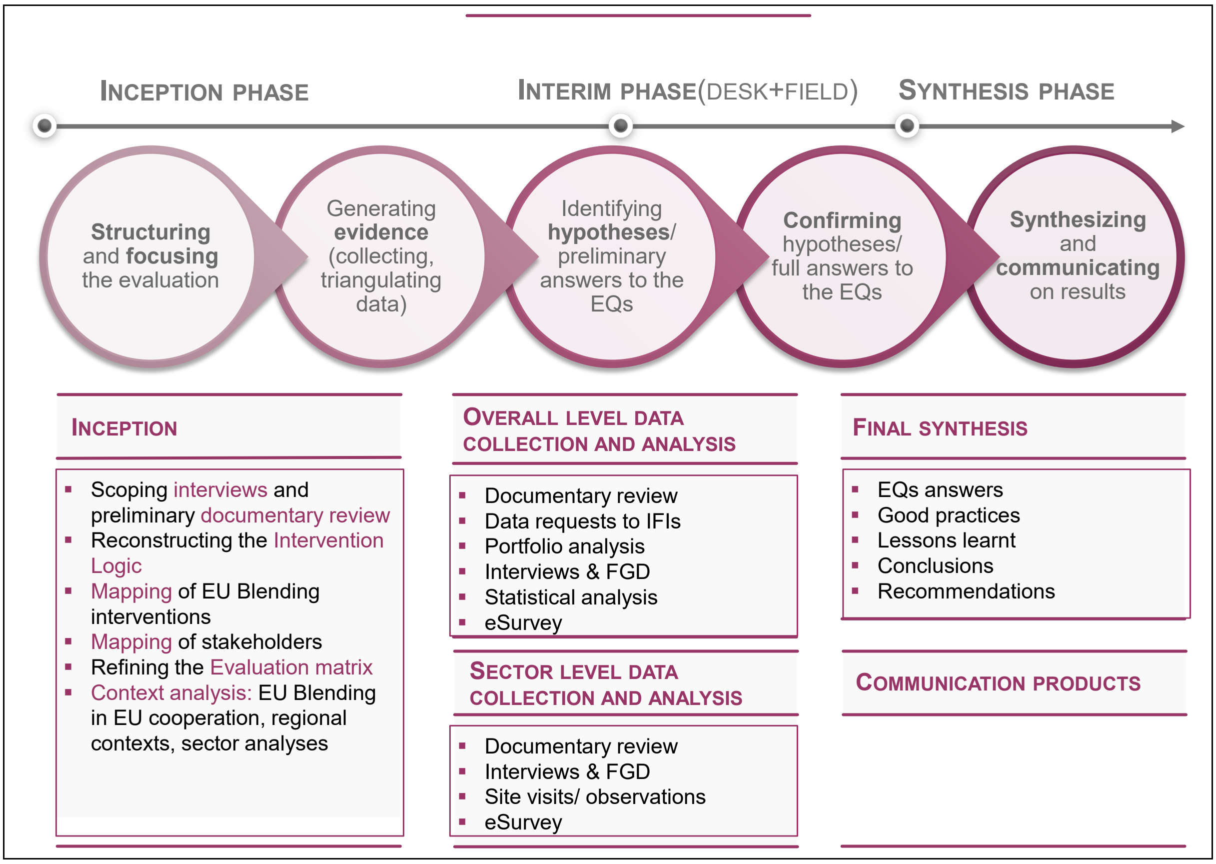
2.1 Overall evaluation approach

Methodological framework

The methodological framework was designed to develop an understanding of what works and what does not and under which conditions, with the aim to distil lessons learnt and apply them to future support efforts. The analytical framework relied on *six Evaluation Questions (EQs)* and the reconstruction of the intervention logic underpinning the design and delivery of EU Blending support. The intervention logic and evaluation matrix developed during inception phase, based on the draft versions provided in the ToR, were tested, updated and adjusted during data collection and the intermediary phase.

The study was conducted in *three main phases* as presented in Figure 1. It provides an overview of the three phases of the evaluation and the key tools for collecting and analysing data that were used in each of the phases.

Figure 1 Phases of the evaluation and key elements of the methodology



Source: Evaluation team.

A well-balanced mix of methods

As highlighted in Figure 1 above, the team applied a *mixed methods approach* to answer each EQ, using both *quantitative and qualitative tools and methods*. The main tools/methods used are: i) document review at three levels (global level, sector case study, country case study); ii) interviews and focus group discussions with key informants including individuals in the relevant Commission services, the International Financial Institutions (IFI), the Partner Financial Institutions (PFI) and beneficiaries as well as individuals from national authorities both from EU Member states and partner countries; iii) a statistical analysis of financial data as well as other project level data obtained from DG NEAR as well as the involved IFIs; and iv) two targeted online surveys, one targeting EU staff in Headquarters (HQ) and EU Delegations (EUDs) in the partner countries, one targeting the EU Blending community, including stakeholders on all levels. Table 1 below summarises the main purpose and key elements of the approach envisaged for each tool/method. Limitations in the data available at EC level coupled with significant difficulties in gathering data from the IFIs (see section 2.2) prevented the implementation of advanced quantitative (financial or econometric) analyses. The evidence base of this evaluation therefore places greater reliance on information derived from interviews and the documentary review.

Table 1 Main tools and methods

Tools/ Methods	*Approach/Description*	*Purpose*
Document review	The team has carried out an extensive documentary review covering two levels: i) overall strategy; and ii) sector/intervention level. The review at the *overall strategy level* has covered EU policy, strategy and programming documents, guidelines, internal reporting, reviews, progress reports as well as general studies undertaken and/or commissioned by the EU and other development partners active in EU Blending. The preliminary review at *sector/intervention level* has covered documentation directly related to the main thematic areas targeted by EU support and includes: i) application forms; ii) project documentation; iii) reviews/studies in the relevant sectors of focus in the evaluation; iv) data/reports produced by organisations which are primary recipients of EU support; v) other documents (e.g. on donor coordination, policy dialogue initiatives in associated to EU Blending).	The analysis has served to obtain a detailed overview of the EU Blending interventions in the Neighbourhood and Western Balkans regions. The relevant information collected during the documentary review has fed into the answers to the EQs providing either evidence directly underpinning the main evaluation findings or information that helps to contextualise these findings.
Interviews	The team has complemented the documentation review with *semi-structured interviews* as well as meetings with the main stakeholder within the EU and IFIs' HQs as well as the field offices (through telephone and video calls). During the field component of the interim phase, the team conducted semi-structured interviews with all targeted stakeholders in line with the approach developed during the inception phase, including EUDs, IFI country offices, government authorities, beneficiaries and civil society organisations.	Interviews permit obtaining the views of the stakeholders concerned on relevant EQs, JCs and indicators, as well as on main weaknesses and strengths of instruments and policies.
Statistical analysis	Building on a dataset provided by DG NEAR during the inception phase, the evaluation team has refined the inventory to strengthen the *statistical analysis of financial data*. This was complemented by a *data request* to the four major IFIs involved in EU Blending interventions, resulting in a snapshot of the contributions made by EU Blending in the relevant sectors. Its aim was to better assess the likely outcomes and impact of EU support and improve the understanding of the implementation process. Due to data quality and availability issues the evaluation focused on a few indicators for which sufficient data is available to analyse the evolution of EU Blending during the evaluation period.	Analysis of outputs/outcomes and financial flows in the selected sectors strengthens the robustness of the contribution analysis.
Online surveys	Two online surveys were used to collect the perceptions of stakeholders (EU Delegations' officials, governmental and non-governmental stakeholders, other donors and international partners, civil society organisations) on a number of topics such as design, co-ordination of EU Blending as well as EU sector policies. Like the first survey to EU staff, the second survey was based on a *short questionnaire* that was designed to align closely with the JCs and indicators to use the data collection tool to complement information collected through other means. Both surveys were designed taking into account gaps identified in the desk analysis as well as the Inter-service Steering Group's (ISG) comments on the interim report.	The surveys allow stakeholders to provide specific inputs for qualitative and potentially quantitative analysis. While the first survey of EUHQ staff and EUDs has informed the intermediary report, the second survey to the blending community complemented the data collection in the second part of the intermediary phase ('field phase').

Source: Evaluation team.

A robust triangulation process based on multiple sources of information

The complexity of thematic/instrument evaluations makes it particularly important for the team to count on *updated and reliable data and information*. These can be obtained through access to documents, databases or via direct or indirect interaction with stakeholders and beneficiaries. The *robustness of the collected evidence* has been assessed in accordance with the Commission's Better Regulation guidelines. The team has triangulating collected information and data where possible in order to progressively build answers to the EQs and JCs. Through a coordinated effort of DG NEAR, EUDs and IFIs, the evaluation team finalised the collection of the basic documentation only by late March 2023. During the field phase the collected data and information was complemented further with interviews and a second eSurvey to a broad variety of stakeholders not covered by the first eSurvey. Table 2 below summarises the main sources of data that has been explored - see also section 2.2 for the challenges faced by the evaluation during the data collection process.

Table 2 Primary and secondary data sources

<table>
<tr><th colspan="2">Primary sources</th></tr>
<tr><td colspan="2">Stakeholder consultation (to be complemented)</td></tr>
<tr><td colspan="2">• Interviews with EC staff working on EU Blending in the Neighbourhood regions and Western Balkans;
• Interviews with IFI project teams: programme and loan managers, strategic planning;
• Interviews with officials from EUDs, IFI country offices;
• Interviews with CSOs and think tanks;
• E-Survey EU staff (HQ and EUDs)
• E-Survey Blending community</td></tr>
<tr><th colspan="2">Secondary sources</th></tr>
<tr><td>EU and IFI sources (documents and databases)</td><td>Other sources</td></tr>
<tr><td>• EU Inventory dataset - Data on financial contributions by the EC and IFIs as well as data on results monitoring provided by DG NEAR;
• IFI data request - Data on implementation of EU Blending interventions obtained from IFIs;
• EU Blending project documentation:
  o Formulation documents for EU interventions (e.g. action documents);
  o Grant Application Form and Delegation agreements;
  o Progress and final reports;
• EU and other relevant partners' Programming documents;
• Reports, and if possible, databases and/or documentation, of previous evaluations:
• Outputs and reports from Technical Assistance action.</td><td>• Reports and databases from International Monetary Fund, World Bank and other cooperation partners;
• Reports from national and international civil society organisations;
• Reports and databases and/or documentation, of previous evaluations;
• (Joint) Annual Reporting;
• Documents on national legal framework and government sector policies/strategies (incl. reports on their implementation);
• Reports from utilities in the energy and water sectors;
• Minutes of policy dialogue and steering committees.</td></tr>
</table>

Source: Evaluation team.

A three-tiered sampling approach

Considering the size of the portfolio of EU Blending interventions, it was not possible to study in detail the whole population over the period 2015-2021. Moreover, the interpretation of aggregated (quantitative) data related to EU Blending has to be based on a sound understanding of qualitative information at intervention level. Therefore, the evaluation team agreed with the ISG on a sampling approach, focusing the analysis on *three samples of interventions*. The three samples were drawn from the portfolio taking into account several factors to make it as representative as possible. Selection of interventions was based on sector, blending facility, geographical context, lead IFI, time periods, type and size of EU contribution, etc. geographic context, lead/implementing IFI, implementation stages and timing of the intervention, financial instruments used, project amounts and sectoral distribution:

- a large sample of interventions for quantitative analyses at the aggregated level (see the sample overview in annex III);
- a sub-set of sampled interventions informing the sector case studies;
- a sub-set of sampled interventions informing the country case studies.

During the intermediary phase, the team identified extended the initial sample of 36 interventions to 42 EU Blending interventions. The 42 interventions ensure a diverse coverage in terms of all factors listed above.

2.2 Challenges and limitations

Limitations related to the focus of the analysis

The evaluation focussed only on parts of the EU Blending portfolio in the regions under review. A notable area excluded is the Transport sector, which received considerable support through WBIF. The ToR also excluded from the scope of the analysis the functioning of EU regional blending facilities, and the broader framework agreement between the EU and IFIs ('Financial and Administrative Framework Agreements'). The focus was on the 'operationalisation' of EU Blending support – i.e. the design and implementation of blending interventions. While the team could still integrate elements related to the broader levels of cooperation between EU and IFI in the answer to the specific evaluation questions, it has limited the scope of the conclusions and recommendations presented in this report to align with the scope of the evaluation established in the ToR.

Limitations related to the temporal scope

As per the ToR, the analysis focussed on interventions approved between 2015 and 2021. This posed two types of challenges. First, given the long time needed for infrastructure projects to be completed, actual results could not be observed for a large part of the portfolio. Second, in the context of EFSD+ and the Multiannual Financial Framework (MFF) 2021-2027, the EU and IFIs made considerable efforts to improve the frameworks and tools underpinning the design and implementation (incl. monitoring) of EU Blending support. The fact that interventions approved after 2021 were not included in the analysis of the evaluation has limited the possibility to capture recent changes in ways of working. To the extent possible, the team has taken into account recent developments when formulating the conclusions and recommendations of this evaluation.

Interlinked challenges related to the access to basic project data

The evaluation team had to invest considerable resources into collecting basic documents and data related to the design and implementation of EU Blending support. The team faced various interlinked challenges related to the way data is stored and shared at EC and IFI levels.

- *Difficulties to access data at EU level*. Access through project documentation saved in EU internal databases was incomplete. Basic documentation (e.g. complete final signed version of delegation agreements) was frequently difficult to access. There were only a few cases where documents related to reporting existed in these databases and, even in these cases, reports often did not cover the full period of implementation, but only the last reporting year. The difficulty to access basic documentation appears more pronounced than in other strategic evaluations carried out by the evaluation team.
- *Difficulties to access data at IFI level*. The four main IFIs that were covered by specific data collection process in this evaluation have distinct approaches to sharing documents and data. While some IFIs were satisfied with an introductory letter from the EC, others requested additional Non-Disclosure Agreements signed and processed. One of the IFIs only provided (online) 'reading access' to the documents on their internal document repository, making the integration in the library used by the team resource intensive. In many cases, a substantial number of documents were only shared late in the process. None of the IFIs shared documents that would disclose detailed contractual arrangement with intermediaries and assessments of concessionality conditions.

An additional challenge emerged due to the timing of the evaluation and the accumulated delays in the inception phase due to factors outside the control of the evaluation team. The evaluation was negatively affected by processes related to the revision of the EFSD+, both on the side of the EU and, subsequently, on the side of the IFIs resulting in slow responses to the data requests to the IFIs as well as to the requests for project documentation. Repeatedly, the evaluation team was in a situation of requesting project documentation for a specific operation and receiving only a small share of the requested documentation. Moreover, there are elements of the documentation that the evaluation team became only aware of during the screening, resulting in another request, slowing down the process even further.

For the IFI data request, the information compiled by the team came from five different organisations working with different data storage and corporate reporting systems, creating an additional challenge to work with an harmonised dataset for the whole portfolio. In addition, for several interventions, the data received was incomplete and gaps could only be partially filled.

The evaluation also encountered limitations in gathering data related to non-spending activities such as coordination and negotiation. As highlighted in some interviews, important issues are discussed in preparatory (sometimes informal) meetings between the different stakeholders (incl. EC HQ, EUDs and IFIs) with few written records of these oral exchanges. This gap could only be partially addressed through interviews.

After considerable efforts, the evaluation team managed to have a sufficiently complete database of documentation to prepare this synthesis report. The analysis of a few specific indicators could not be performed, but this didn't affect the conclusions presented in this report. Table 3 provides an overview of the data coverage and quality of the data collected from secondary sources.

Specific difficulties related to EU inventory datasets

The EC services shared inventory datasets that were useful in providing the team with a general overview of the interventions falling in the scope of the evaluation. However, the datasets came from different sources corresponding to different programming processes covered by the evaluation (i.e. WBIF, NIP, IPA bilateral). The lack of a common data management system at IPA, NIP and WBIF required the team to invest a substantial amount of time in consolidating the information in a unified dataset to be able to perform analyses at overall portfolio level. EU datasets contained incomplete and sometimes inconsistent information. Most of the gaps and inconsistencies could be addressed using information from the project documentation and carrying out specific consultations with HQ and EUD staff, but delays in getting the data prolonged the cleaning/consolidation process substantially.

Table 3 Status regarding completeness and quality of data from secondary sources at the end of the evaluation

Source of information	Coverage by the data collection undertaken by the evaluation team	Usefulness of available data (i.e. quantity of usable data)
EU Inventory dataset	Medium to High (occasional data on contracts[2] missing; main missing data: third party (public/ private sector actors') financial contributions)	Medium
IFI data request	Medium (selective reporting; limited data on disbursement plans/IFI commitments; inconsistencies)	Medium
EU results data	Medium (incomplete values for several interventions; few interventions of the sample covered on a continuous basis)	Low (incomplete data and partial coverage of the sample make the use of the data difficult)
Design documents (Application forms, DA/ Descr. of the Action)	Medium to High (internal data protection rules of IFIs made access to missing documents slow and difficult)	High
Progress reports	Medium to High (missing for some interventions, incomplete time periods)	Medium (incomplete time periods, data focussing on activity implementation)
Results Oriented Monitoring (ROM)	High (all 3 ROMs completed for the sample have been collected)	Medium (very few reports available - 10 ROMs for the 181 interventions covered by the evaluation)
Evaluation reports	High (no evaluation report)	Low

Source: Evaluation team.

Reliance on qualitative information

Given the challenges related to data availability, the analysis strongly relied on qualitative information. The evaluation consists only to a limited extent in a material report on the economic, financial or technical value of EU blended investments in the sectors defined in the ToR.

3 Evolution of EU support

EU Blending

Since its first introduction in EU external action at the beginning of the Multiannual Financial Framework (MFF) 2007-2013, blending (see Box 1) has increased in

[2] E.g. contract signature date for some interventions.

2007-2021

importance for the EU and other donors. At the beginning of the period under review, blending was not a 'new' modality for EU external action any longer. As blending was already well established in 2015, the steep learning curve was flattening, but still keeping openings for improvement. During the period under scrutiny, blending continued maturing as a modality of EU external action. In 2015, in the context of the MFF 2014-2020, the Commission consolidated its blending framework through, among other, the development of specific guidelines. In 2017, building on its commitments to the Agenda 2030, the EU launched its External Investment Plan (EIP), a flagship initiative representing a new approach to the way the EU supports sustainable development and identifies, prepares and delivers support for investment interventions in partner countries. Blending plays a key role in the European Fund for Sustainable Development (EFSD), which is the financial part of the EIP.

Box 1 The concept of blending in the context of EU external action

Blending is recognized by EU decision makers as a *central modality*, complementary to other modalities, for achieving EU external policy objectives, including relevant national, regional and overarching policy priorities supported by the EU.[3] *Blending means* the combination of EU support, mainly in the form of grants, but also in the form of concessional finance, with loans or equity from public and private financiers.[4] The EU relies on *four types of contribution* ('financial inputs' of EU Blending) which can be used in combination: i) Investment grants, ii) Technical Assistance (TA) grants, iii) Risk Capital (equity & quasi equity), and iv) Guarantees.[5]

A key *idea behind EU Blending* is that EU inputs (e.g. the grant elements) can be used in a strategic way to create financial leverage for important investments in partner countries, in other words to ensure 'financial additionality'. However, the *EU's approach* to blending exceeds this aspect, as the EU also considers overarching factors of sustainable development and offers various types of TA to strengthen the maturing of future investments, ensure that implementation of investment interventions aligns with EU standards, create ownership in partner countries and ensure the achievement of sustainable effects. This is in line with EU external action policy priorities and global frameworks such as the 2030 Agenda and the Paris Agreement. EU Blending interventions may be also accompanied by *policy dialogue*, focusing on institutional and sector reform and on creating a conducive business environment to ensure sustainable effects of EU support not necessarily limited to blending.

Regional EU Blending facilities

The EU and other donors put special attention on blending in the context of their efforts to close the huge financing gaps observed in international cooperation.[6] In the 2011 Agenda for Change, the EU called for finding the right mix of policies, tools and resources for effective and efficient external support, already with a reference made to the increasing importance of the *leveraging effects* of blending in order to boost financial resources and enhance assistance to partner countries.

EU regional blending facilities have been set up in all regions of EU external action between 2007 and 2012. During 2015-2021, EU Blending support in the *Western Balkan* and *Neighbourhood* contexts was delivered through a limited number of

[3] EU (2015): Guidelines on EU Blending operations.

[4] There are many definitions of blending. For instance, the Convergence (https://www.convergence.finance) definition says: "*Blended finance is the use of catalytic capital from public or philanthropic (donor) sources to increase private sector investment in sustainable development… Blended finance is a Structuring Approach, allowing organizations with different objectives to invest alongside each other while achieving their own objectives (whether financial return, social impact, or a blend of both)*". The 2015 Guidelines on EU Blending operations defines blending as the "*strategic use of a limited amount of grants to mobilise financing from partner financial institutions and the private sector to enhance the development impact of investment projects*". For the OECD, "*blended finance is the strategic use of development finance for the mobilisation of additional finance towards sustainable development in developing countries*." The OECD is working on more detailed guidance to implement the Blended Finance Principles.

[5] Examples of other forms of blending not covered by EU Blending: contractual mechanisms such as feed-in-tariffs or off-take agreements, and hedging, which aims at reducing the risk of adverse currency price movements.

[6] Blending is explicitly mentioned in the reference documents of the 2030 Agenda. In the context of the 2030 Agenda and the Paris Climate Agreement, blended finance continued gaining traction as it became clear that the gap between available funding and required investments was beyond what ODA was expected to be able to cover. This gap was estimated by UNCTAD at USD 2.5 trillion per year for the period 2015-2030. To narrow this gap, blended finance was perceived as a viable instrument since it enables donors to leverage up their investment by partnering up with a diversity of financiers.

bilateral interventions and two *regional mechanisms*: i) the Western Balkans Investment Framework (WBIF); and ii) the Neighbourhood Investment Platform (NIP).

The *WBIF*, established in 2009, supports socio-economic development and EU accession across the Western Balkans. As a joint initiative of the EU, financial institutions, bilateral donors and the governments of the Western Balkans, the WBIF provides financing and technical assistance to strategic investments in the energy, environment, social, transport, and digital infrastructure sectors. It also supports private sector development initiatives. Investment grants are helping to fund infrastructure interventions with a high impact on people's lives, from healthcare and education facilities to public infrastructure for clean water and sanitation services. Through these investments, the funding made available by the WBIF actively promotes social cohesion and protects the environment across the region. The WBIF has undergone important changes since 2015 with a major overhaul in 2016, various adjustments to the eligibility criteria for selecting interventions and the launch of WBIF 2.0 in 2019.

The *NIP*, established in 2008 and focussed on the Neighbourhood region, aims at financing capital-intensive infrastructure interventions in sectors such as transport, energy, environment and social development. The NIP also supports the private sector, mainly through TA, investment grants and equity operations targeting small and medium-sized enterprises. Funding comes mainly from the EU budget and is complemented by direct contributions from EU MS, which are kept in trust funds managed by EBRD and EIB. The NIP is governed by the NIP board, which is composed of representatives of the Commission, the European External Action Service, the EU Member States as voting members, and the IFIs as observers. The NIP board is chaired by the Commission. Eleven European IFIs[7] initially signed the NIP Framework Arrangement. By the end of the evaluation period, any pillar-assessed IFI could receive NIP funding. However, only six IFIs have been actively participating in EU Blending operations so far.

EU Blending interventions (2015-2021) at a glance

During the period 2015-2021, EU Blending allocation in the Neighbourhood and Western Balkans regions amounted to EUR 2,724 million in 181 interventions that lie in the scope of this evaluation:

- The region that benefitted the most was *Neighbourhood South* (EUR 1,211 million in 63 interventions), followed by *Neighbourhood East* (EUR 901 million in 57 interventions). Allocations to the *Western Balkans* amounted to EUR 611 million in 61 interventions, of which 57 were channelled through WBIF and 4 through IPA bilateral funding.
- The thematic area that received the highest allocation of EU funding is 'Private Sector Development – PSD' (EUR 1,319 million in 68 interventions), followed by the Energy (incl. renewable energy and energy efficiency) sector (EUR 623 million in 63 interventions). The Environment (incl. water, wastewater and solid waste management) sector received EUR 491 million (31 interventions). Interventions benefitting a combination of sectors received EUR 291 million of EU Blending allocations in 19 interventions.
- Overall, *Egypt* was benefitting the most from EU Blending interventions, mainly due to investments in several large infrastructure projects, benefitting from EUR 367 million in EU allocations, followed by *Morocco* (EUR 171 million) and *Ukraine* (EUR 143 million).

Geographical coverage and use of

While all *Western Balkans* countries benefitted from support through the WBIF, IPA bilateral funding was used in three countries in the *Western Balkans*, namely Kosovo[8], North Macedonia and Serbia. All six countries in the *Neighbourhood East*

[7] Namely the European Investment Bank (EIB), European Bank for Reconstruction and Development (EBRD), Council of Europe Development Bank (CEB), Nordic Environment Finance Corporation (NEFCO), Nordic Investment Bank (NIB), Agence Française de Développement (AFD), Kreditanstalt für Wiederaufbau (KfW), Oesterreichische Entwicklungsbank AG (OeEB), Società Italiana per le Imprese all'Estero (SIMEST), Sociedade para o Financiamento do Desenvolvimento (SOFID), Agencia Española de Cooperación Internacional para el Desarrollo (AECID).

[8] All references to Kosovo, whether the territory, institutions or population, in this text shall be understood in full compliance with United Nations' Security Council Resolution 1244 and without prejudice to the status of Kosovo.

facilities

benefitted from EU Blending support, while in the *Neighbourhood South* only six of the ten countries were supported.[9] All regions benefitted from substantial EU Blending interventions with a regional focus, by far exceeding the bilateral allocations in each of the regions. Regional interventions in the *Western Balkans* attracted EUR 491 million of EU funding, while the *Neighbourhood South* benefitted from EUR 484 million and *Neighbourhood East* received EUR 369 million support through EU Blending.

Umbrella initiatives

The 181 interventions covered in this evaluation correspond to 181 'contractual units' – i.e. each having followed a separate application process at EU Blending facility level, culminating in a separate financial agreement/contract between the EU and the lead IFI. In around half of the cases, these interventions supported IFI-lead investment projects that received multiple financial contributions – each under a separate contract – from the EU. These large IFI-led investment projects, frequently regional programmes encompassing various sub-components led or contributed to by different IFIs, are labelled as '*umbrella initiatives'* in this evaluation. 'Umbrella initiatives' represent around half of the portfolio in terms of EU financial contributions. Examples include: i) the EDIF facility, the Regional Energy Efficiency Programme (REEP) Plus and the support to Trans-Balkans energy corridor in the *Western Balkans*; ii) the DCFTA support and the E5P programme in the *Neighbourhood East; and* iii) the SEMED (Southern and Eastern Mediterranean) MSME Financial Inclusion Programme in the *Neighbourhood South*.

Evolution since 2021

Under the MFF 2021-2027, the EU replaced EFSD with an updated investment framework, EFSD+, which reinforces the role of budgetary guarantees and, to a lesser extent, blending as important forms of funding in the new EU external financing instruments. The new MFF's regulatory framework also puts a stronger emphasis on the pursuit of EU policy priorities in programming processes (the 'Policy first' approach), which implies a stronger EU policy steer when using blending and guarantees in the context of EFSD+.

In parallel, the EU has taken various steps to address shortcomings of the M&E system in place during the previous period. The new regulatory framework includes stricter provisions to strengthen monitoring, reporting and evaluation under the EFSD+. After extensive consultation with IFIs, the EC also launched a Results Measurement Framework (ReMF) in March 2023 to serve as a monitoring, reporting and evaluation tool for the EFSD+ aiming to improve accountability and transparency – see box below.

Box 2 *Overview of the EFSD+ Result-Measurement Framework (ReMF)*

The EFSD+ ReMF consists of a "menu" of results statements, structured around sectors/areas, with a set of associated indicators. It applies to all EFSD+ interventions, including budgetary guarantees, blending and other financial assistance. The menu is to be used by IFIs to explicitly link the intervention logic of an intervention (i.e. the expected chains of results) to EFSD+. The EC developed specific guidance tools[10] to help IFIs use the pre-defined ReMF results statements and indicators. Relevant sections of the application forms[11] were also reviewed to strengthen the definition of individual interventions' results frameworks in line with the ReMF.

Compared to its predecessor, the EFSD+ ReMF aims to: i) achieve a clearer structure, articulated around an overarching intervention logic, in line with EU policy objectives, and ii) integrate more strongly outcomes and impact related indicators. The ReMF shares indicators with the Global Europe Results Framework (GERF) and the IPA III Results Framework and is part of the so-called Global Europe Performance Monitoring System (GEPMS), which seeks to create a single coherent performance framework for communication, management and learning needs on EU external action.[12]

[9] There were no EU Blending interventions in the scope of this evaluation in Algeria, Israel, Libya and Syria.
[10] In particular, a detailed Explanatory Note accompanied by an Excel file containing the pre-defined ReMF results statements and indicators.
[11] Section 23 for blending and section 25 for guarantees.
[12] EC, SWD(2022)22 final on *Launching the Global Europe Performance Monitoring System containing a Revised Global Europe Results Framework*, 2022.

4 Main findings related to design and delivery

4.1 Design and negotiation

Summary of findings: The evaluation has found that EU Blending operations addressed real needs identified by an analysis of the overall context; however, the intervention logic by which these needs are going to be met – and the monitoring frameworks by which progress will be tracked, especially at the outcome / impact level, are frequently weak. Monitoring frameworks for TA, in particular, are often deficient. The design of EU Blending support and the selection of individual interventions heavily rely on IFI's own market analyses, the details of which are often not shared with the EU. This encourages the EU, IFIs and national counterparts to favour traditional projects in areas where IFIs have extensive experience, including well-established business models. In some cases, interventions simply represent a continuation of IFI projects already in place. Despite the identified issues, the evaluation has found that EU Blending operations typically align well with EU and partner-country policy and regulatory frameworks. At the same time, a general observation is that the EU is often under-involved in the design stage, leading to some EU policy concerns, such as inclusivity, being crowded out by IFI experience and technical expertise. There is some evidence that more importance has been given to EU policy priorities in recent years.

4.1.1 Results-oriented design

EU Blending interventions have overall objectives that are often well defined in the design documents and clearly linked to specific partner country's needs; however, the way the interventions are expected to contribute to these objectives is not always well explained. While a majority of eSurvey respondents (see annex V) consider that Blending interventions contain appropriate expected results, a substantial number of them also highlight weaknesses in the way some objectives are defined. This includes over-ambitious objectives or an intervention logic that does not match the objectives identified. The review of the documentation confirms that overall objectives are usually linked to needs of partner countries, but the way the intervention logic is presented in the design documentation does not follow a consistent approach across the portfolio, and the quality of the sections describing the intervention logic varies greatly between interventions.[13] While there is often a linear overall progression from inputs to outcomes/impacts, there are frequently missing elements at the higher level of the results chain. Moreover, the logic is not always contextualised in a broader theory of change that would explain why the chosen approach was adopted taking into account the factors that can potentially influence the chain of results. There are also limited explanations on how the interventions would contribute to broader efforts supported by the EU in the country (e.g. to support a specific sector reform). Weaknesses identified are not specific to a type of EU contribution, a sector or a geographical context.

While the results frameworks used to monitor the attainment of the objectives are generally compliant with the requirements set in the application forms and contractual documents, these frameworks often only partially cover the intervention logic and fall short in capturing the underlying results chains; in addition, the approach foreseen to measure results indicators is often not well defined. The section of the Grant Application Forms (GAFs) on 'expected results and indicators' is usually broadly compliant with the EU templates and guidance, as well as the requirements established in the agreements between the EU and IFIs. However, a recurrent observation made in the review of the GAFs (or the descriptions of the action attached to the Delegation Agreements) is that the sections presenting the objectives and elements of the intervention logic are inconsistent or weakly linked. Other recurrent weaknesses include: i) while the tables presenting results indicators usually contain both outputs and outcomes indicators (as per EU guidelines), output and outcome levels are sometimes not clearly delineated; and ii) despite the importance of the EU-funded Technical Assistance (TA) component, result frameworks rarely allow to measure the outputs and outcomes of this input. There is also often a lack of a clear approach to measure the results indicators presented in the design documents; explanations and rationales on target values are unclear. In many cases, baseline values are missing or set at zero (i.e., the reference point is the intervention itself, not the situation in the sector), and most indicators are only achievable after project ends, which limits the monitoring of results during implementation (see also 4.2.2). According to interviews, several of these weaknesses have been addressed in recent efforts by DG NEAR and main partner IFIs to strengthen the result frameworks and monitoring mechanisms used for blending interventions under EFSD+. This includes a more careful selection of result indicators and the need to report on the current value of the indicators in each reporting period. Moreover, some interviewees highlighted that, in the context of WBIF, the organisation of regular portfolio reviews and meetings specific to individual interventions such as steering committee

[13] They exist for very few interventions in the portfolio, logframes are not requested for interventions financed through EU Blending facilities.

meetings have, to some extent, allowed to compensate for the limited monitoring data available in reporting documents.

4.1.2 Responsiveness of the choice of instruments to third countries' market needs

The design of EU Blending interventions could often rely on the lead IFI's extensive experience with similar investment projects and in similar geographical contexts. The evaluation shows that IFIs' past experience with similar types of support in the region or similar geographical contexts has significantly contributed to ensuring a robust design of the supported interventions. In several cases, EU Blending interventions consisted in the extension of a support programme that had already been (successfully) implemented in the targeted country/region, allowing to build on the knowledge accumulated over already many years.

While EU Blending respond to market needs and feasibility studies/cost-benefit analyses are usually carried out for infrastructure interventions, the evaluation found limited evidence on the use of external/independent strategic studies and detailed up-to-date economic/financial analyses at design stage. In general, the evidence gathered shows that feasibility studies/cost-benefit analyses were mostly carried out at a technical level and mostly for infrastructure interventions. Only a few EU Blending interventions seem to have benefitted from 'external/independent' detailed studies or large preliminary studies (e.g. Kitchener Drain in *Egypt*). According to the data request sent to IFIs,[14] only five out of 42[15] sample interventions benefitted from an 'external' feasibility study or other external/independent upstream assessments.[16] The team did not identify any intervention underpinned by a detailed cost-benefit analysis at the strategic level.

The rationale behind the weight given to the different types of EU contributions (e.g. Investment Grant or Technical Assistance) is often missing in the project documentation; but, there is evidence that the topic is discussed in direct exchanges between the EU and IFIs before the approval of the interventions. The choice of instruments largely reflects the nature of the investment being supported. The mapping of EU financial contributions (inventory – see annex IV for further details) shows that in the Energy and Environment sector, there is a predominance of Investment Grants (IG), reflecting a predominance of support to infrastructure development projects. However, in most cases, the team could not identify any detailed economic/financial analysis justifying the volume of financial support mobilised and why EU funding was favoured over other sources to finance specific parts of the investment. In the documentation reviewed, there are very few references to macro-economic analyses or, for public sector operations, to a detailed analysis of trends and needs in terms of public spending at local/national level. Interviews with different stakeholders confirm that issues of mix of financial instruments, including the rationale behind the relative weight of EU contributions to e.g. TA components vs other components, are an important topic in discussions taking place between the EU and IFIs (e.g. informally between EUDs and IFIs during project preparation or during Technical Assessment Meetings).

EU support almost systematically included funding for TA, covering diverse forms of support. 80% of the 181 interventions covered by the evaluation include a specific TA component funded by the EU, and many cases where TA was not included correspond to an extension of past interventions that entailed a TA component. The importance of TA in the EU Blending portfolio is largely explained by: i) the substantial needs for capacity building in partner countries; and ii) the fact that IFIs' access to alternative TA funding sources is limited to specific facilities such as Eastern Partnership Technical Assistance Trust Fund (EPTATF)[17] and Facility for Euro-Mediterranean Partnership Trust Fund (FEMIP TF)[18] for the EIB and various multi-donor funds (e.g. Small Business Impact Fund)[19] for EBRD.

Because no formal typology of TA support has been defined at EU level and the EU does not track in detail financial contributions going to this form of support, it is difficult to precisely describe the composition of the portfolio in terms of TA support. However, all forms of TA summarised in the table below have been observed in the portfolio reviewed.

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[14] The team has not had access to the feasibility studies/cost-benefit analyses carried out during the design stage of the EU Blending interventions.

[15] Three interventions of the sample have been excluded from the analysis because they mainly consist in feasibility studies themselves.

[16] In the PSD sector, the project documentation usually provides an overview of the trends and needs of MSMEs in the target country/sector, which attests to previous IFI-led market analyses. But, it is not clear whether these assessment are linked to the design of the blending intervention.

[17] Eastern Partnership Technical Assistance Trust Fund (see https://www.eib.org/en/products/mandates-partnerships/donor-partnerships/trust-funds/eastern-partnership-technical-assistance-trust-fund).

[18] FEMIP Trust Fund (see https://www.eib.org/fr/products/mandates-partnerships/donor-partnerships/trust-funds/femip-trust-fund).

[19] See https://www.ebrd.com/who-we-are/our-donors/multi-donor-funds.html#sbif.

Table 4 Examples of type of TA provided in the context of EU Blending support

Stage	TA related to specific investment activities	Broader TA support
Preparation	• Feasibility studies (mostly Infra projects)	n/a
Implementation	• Business advisory services (MSME projects) • Capacity building of Utility companies (Infra projects) • Technical support/Capacity building of financial intermediaries (mostly MSME projects) • Project Management Unit, incl. support to procurement, technical studies and supervision (Infra projects) • Verification consultants (both Infra and MSME projects)	• Awareness raising, Communication, Visibility *(*both Infra and MSME projects*)* • Knowledge events, policy dialogue *(*both Infra and MSME projects) • Capacity building of public institutions (both Infra and MSME projects)

Source: Evaluation team

TA needs are usually well described in the documentation reviewed. However, the project documentation rarely explains whether TA needs were jointly identified with national/local authorities nor how the effects of TA support are expected to be sustained and contribute to broader capacity development efforts at sector/national level.

The estimated financial leverage ratios of EU Blending interventions are significant and well justify the interventions; however, there are questions regarding how some elements are estimated during design stage, monitored and adjusted during implementation, and measured ex post. The design documents usually provide an estimation of the financial leverage expected from the intervention relying on clear formulas defined in EU guidance. However, the explanations on the methodologies (incl. assumptions) underpinning the calculation of the ratios, esp. for the private sector finance and total investment ratios, are sometimes interpreted differently. The project documentation often does not discuss the robustness of the estimates used.

Due to changes in the supported investment projects (e.g. a component being dropped due to the evolution of the context) and in the degree of involvement of co-investors (incl. IFIs), some ratios varied significantly from approval stage to project completion. There is no system in place to systematically monitor changes during 'contractualisation' and implementation of a project, nor to assess the situation ex post.

The EU grant is often associated with significant investment from other sources, mostly from the IFIs for the interventions reviewed. The investment leverage ratios of 30 interventions reviewed by the team range from 1:3 to 1:24 with an average at 1:9, with no clear patterns related to the sector, country context, type of EU contribution or nature of the investment. Some outliers strongly influence any analysis of financial leverage at portfolio/sub-portfolio level. Moreover, high ratios are not necessarily reflecting stronger financial additionality. What emerges from the data available is that, in the portfolio reviewed, the 'crowding in' of private finance has remained limited.

Most project documentation associates EU support with a high degree of financial additionality. While interviewees confirmed that some supported investment projects would have not occurred (or not as quickly) in the absence of the EU contributions, the evidence gathered by the evaluation team was not sufficient to demonstrate such additionality in a robust manner.

There is converging evidence that, in several interventions, the combination of EU-funded TA and investment grants (or the EU-funded TA alone) has enhanced the targeted investment projects through the provision of advice and support, helping to optimise investment decisions and use investment as an opportunity to improve their management and productive capacity (see also sector findings in section 5).

4.1.3 Responsiveness of the interventions to evolving EU and partner countries' policies and priorities

The design of EU Blending interventions followed key principles outlined in EU regulations and has been well aligned with the EU and partner countries' broad policy and legal frameworks. As highlighted above, EU Blending interventions respond to actual needs and their design is compliant with EU regulations and with the specific agreements established between the EU and IFIs. Design documents often contain a rich context section with the identification of broad sector needs, as well as a clear identification of the broad policy and legal frameworks in place at EU and partner country level. Project documentation also often contains explicit references to priority areas of cooperation between the EU and the partner countries. Interviews and the eSurvey responses confirm the alignment of EU Blending operations' objectives with the national/sector policy framework in place in the partner countries.

However, during the period under review, aspects of the design of some interventions appeared to primarily reflect the lead IFI's priorities and strategic choices. Some interventions, esp. in the PSD sector, largely consisted in the replication and, in some cases, the integration of investments already being delivered by IFIs into the 'new' EU Blending intervention. While, in general, this has allowed to build on past experience and facilitated delivery related to the new investments, the evidence gathered in this evaluation suggests that this may have also encouraged a tendency for investment projects to rely on the same local partner financial institutions covering the same type of final beneficiaries, driven by a combination of convenience, risk aversion and history of cooperation, with IFIs often preferring to work with local banks they know well and with which they have a proven track record. Where available, these are often branches of EU banks and rarely involve the non-banking sector.

Several interviewees and eSurvey responses point to the programming and design of EU Blending interventions being largely driven by the IFIs, with IFIs promoting their products instead of using a thorough analysis of needs, as well as national/EU priorities as starting point to develop new products. The weak attention given to inclusiveness in the design (and implementation) of several interventions reviewed also point to blending interventions not sufficiently reflecting EU policy priorities in the past MFF.

The evidence gathered shows intense interactions taking place between the EU and IFIs before the approval of specific interventions. Processes in place allow to discard interventions not in line with EU policy priorities. However, the degree of EU involvement in the design process varies across the portfolio. Overall, country level discussions related to pipeline management could have been more proactive to improve alignment of interventions with EU priorities and EU-Government policy dialogue. Some EU staff consulted confirm that the EU is insufficiently involved in the design of new interventions, resulting in a situation where the choice to support some projects was perceived as not being driven by EU priorities. Interviews with EU HQ staff have highlighted a stronger EU engagement under WBIF than in the Neighbourhood context as well as a shift towards a stronger steer from the EU side in the broader context of EFSD+ – i.e. after the period covered by this evaluation.

4.2 Results oriented delivery

Summary of findings: IFIs have usually delivered financial and non-financial services in compliance with the operational provisions outlined in the agreement signed with the EU. However, the implementation of Blending interventions encountered numerous challenges, leading to delays throughout the project cycle. These delays are typically not attributed to internal factors within IFIs, but rather to contextual factors and a weak integration of these risks in the initial intervention design. Moreover, the implementation of Blending interventions has been hindered by inadequate M&E systems. Despite significant investments made in this area at EU level, and particularly within the context of WBIF, the overall analysis reveals that the existing monitoring and evaluation systems and the reporting provided by the IFIs have not enabled the EU to comprehensively track, support, and learn from the implementation of its support. Challenges include weaknesses in the results frameworks, insufficient content in reporting (e.g., absence of qualitative assessments on the likely impact of implemented activities) and capacity issues within the EU. Furthermore, there is a notable scarcity of external independent assessments both during and after implementation, which presents additional challenges for accountability and learning.

4.2.1 Implementation of operational provisions related to financial and non-financial services

Delays have been accumulated at all stages (i.e. design, application/approval, signature of the agreement and implementation) of the project cycle. For WBIF, the approval by the board leads (almost) automatically to implementation – no 'delegation agreement' between the EU and IFI is required; this significantly speeds up the launch process. In most NIP cases reviewed, at least six months were necessary to sign the EU-IFI agreement after the Blending facility's board approved the application form. In some instances, this time lag extended to almost two years.

There are also often considerable delays between the signature of the agreement between the EU and the IFI – or the approval of intervention in the WBIF context – and the onset of activities related to financial services although the duration of the delays varies across the portfolio. MSME support interventions generally exhibit a faster setup of operations; however, there are also instances where significant delays accumulated at early stages.

For MSME support interventions, the delays are often associated with the time required for the pipeline of sub-projects to materialise and undergo ex post verification by the dedicated TA. Delays may also occur during the identification and contracting of local partner financial institutions. Interviews underscore the difficulties encountered in several partner countries (e.g. Neighbourhood South) in identifying eligible counterparts for these interventions.

Major reasons for delayed disbursement in infrastructure blending interventions are linked to usual delays in procurement and construction/implementation faced in such projects, which were often compounded by contractual issues and disputes, some of which were worsened by preparation challenges and weak design.

Furthermore, due to capacity and institutional challenges, involvement of national authorities often led to delays in both infrastructure and MSME support interventions when they played a significant role in implementation.

In general, the EU has demonstrated considerable flexibility in accommodating these delays, which has been greatly appreciated by all stakeholders involved, including the IFIs.

Despite delays in implementation, IFIs delivered financial and non-financial services in compliance with the operational provisions foreseen in the agreement signed with the EU. Some EU staff interviewed highlighted that, in some instances, IFIs took a long time to contract local partner financial institutions and initiate on-lending to final beneficiaries. Unfortunately, the evaluation could not fully assess the specific reasons behind such time lags in the sample of interventions reviewed. Moreover, the lack of detailed information on disbursement schedules in design documents[20] also made it challenging to analyse actual disbursements against initial schedules for both timing and amounts. Progress reports frequently omitted discussions on the 'timeliness' of disbursements, and updated forecasts were not consistently provided, particularly in the NIP context. However, the overall analysis suggests that the reasons for delays are usually not attributed to internal factors within IFIs, but rather to contextual factors and a weak integration of these risks in the initial intervention design.

TA has proven to be instrumental in enhancing the implementation of the different components of EU Blending interventions. Some cases reviewed highlight the positive role played by TA in responding to implementation bottlenecks, especially in the PSD sector. In several cases, TA has played a crucial role in addressing capacity issues at the level of financial intermediaries and final beneficiaries, ensuring the efficient utilisation of established credit lines.

4.2.2 Monitoring mechanisms

IFIs closely follow progress of the planned activities and largely adhere to the reporting requirements set forth in the EU-IFI agreements. Monitoring mechanisms include IFI's yearly (sometimes quarterly) reporting on progress in delivery of foreseen services. Reports from IFIs to the EU usually contain a comprehensive overview of the status of the project in terms of implemented activities, incl. figures on disbursed amounts to contractors/beneficiaries, in line with contractual requirements defined in the EU-IFI agreements.

The EU has also opportunities to monitor directly progress on the ground, esp. through its EUDs; however, these opportunities are often constrained by significant limitations. In the *WBIF* context, the EU and its partners can rely on the technical support provided by International Financial Institution Co-ordination (IFICO), Country Manager reports prepared every two months and milestone meetings involving officials from the partner country. In the *NIP* context, the majority of EU Blending operations include the establishment of steering committees involving co-financers (IFIs, EU, other) and relevant national counterparts. These steering committees are recognized by several stakeholders consulted as a crucial platform for the EU to monitor implementation progress. However, some interviewed EUD staff emphasised that the infrequent occurrence of the meetings and the subpar quality of some of them pose significant obstacles to effectively monitor progress and offer inputs to improve the implementation of the supported interventions.

In the majority of cases, the existing monitoring systems have not enabled the EU to comprehensively track, support, and learn from the implementation of blending interventions. IFI's reporting to the EU primarily focusses on the implementation of activities – incl. physical and financial progress – as well as outputs. The level of data disaggregation in these reports is often limited, and progress towards the intended outcomes and overall objectives of the intervention is typically not addressed. There is a notable absence of indicators to measure the performance of TA, except, in a few instances, at the output level (e.g., number of training and consultancy events delivered to Partner Financial Institutions). As a result, the information provided in the progress reports only partially aligns with the intervention logic and results framework outlined in the design documents. The situation is further compounded the weaknesses in the results framework highlighted above (see section 4.1.1). The evaluation also highlights a lack of external independent assessments both during and after implementation, further contributing to the challenges of monitoring and evaluating the interventions thoroughly.

[20] This is particularly true for MSME credit line projects where partner financial institutions and the project pipeline may not be known during the application process. In some intervention related to infrastructure development, disbursements are only detailed for the first year of implementation.

4.3 Cooperation between European actors

Summary of findings: There have been successful experiences of collective European approaches to blending and recent EU policy initiatives (e.g. EFSD+; Team Europe) have created a dynamic to foster such approaches. While the level of institutionalisation to ensure coherence and complementarity differs between Western Balkans and the Neighbourhood regions, no major overlap has been identified in any of the regions. Institutional barriers still hamper the development of synergies between the action of European actors and efforts to maximise EU's coordination capacity in its external action policy. Of particular concern is the lack of integration of EU Blending support, including TA, in broader EU country support and its limited linkages with EU's engagement in policy dialogue at country level.

4.3.1 Fostering a collective approach to the design and implementation of blending support

There have been successful experiences of collective European approach to blending. In all regions, the EU supported various successful joint initiatives involving EU IFIs. In the *Western Balkans*, the EU, EBRD and KFW closely cooperate in the context of the Regional Energy Efficiency Programme (REEP) since 2013. In *Georgia*, the EU, KFW and EIB are jointly financing an Energy Efficiency in Public Buildings programme, and closely coordinate with AFD that provides policy support in the same sector. In the *Neighbourhood South* region, the EU, EIB and EBRD collaborate on various sustainable energy finance interventions at both country and regional level. The Green for Growth Fund (GGF), which covers both *Western Balkan and Neighbourhood* countries, has been co-founded by KFW and EIB and involves the EU and, more recently, other European IFIs such as EBRD and Dutch Entrepreneurial Development Bank (FMO).

Both WBIF and NIP provide an opportunity to European actors to pull together their funding to strengthen collaborative approaches at European level. While there was already substantial cooperation between IFIs and EU Blending support somewhat contributed to it during the period under review, the Team Europe approach promoted under the EFSD+ framework made particularly visible contributions to promote this cooperation in recent years.

There is still room for increased interactions between relevant European actors at design and implementation stage. While interviews highlight good collaboration between IFIs and frequent interactions in the context of regional blending facilities (WBIF, NIP), examples of IFIs contributing to the design of interventions led by other IFIs remain limited. There is a perception by EU staff that there is limited sharing of information between IFIs and the EU regarding internal assessments carried out during design stage. Overall, jointly designed and implemented EU Blending interventions are rather the exception than the rule. Despite increased coherence in IFIs' use of EU Blending during the period under review, interviewees highlight the persistence of important divergences in interests and practices between the EU and IFIs and among European IFIs themselves. Collaboration in the context of some large initiatives (e.g. support to DCFTA in the Neighbourhood) has remained limited and focussed on ensuring coherence between interventions. Moreover, although interviews point to a higher involvement of EU MS technical partners during implementation, only a few interventions led by multilateral IFIs have relied on the expertise of EU MS (e.g. national technical agencies) at design stage.

4.3.2 Ensuring overall coherence and complementarity between EU Blending interventions and with (EU and EU MS) non-blending interventions

There has been increased coordination of European actors to provide common standards and ensure a coordinated approach towards blended finance at overall level. Efforts are visible at three levels: i) interactions between EU and IFIs taking place at HQ level to improve EU Blending support (e.g. exchanges on result frameworks used in EU Blending support); ii) discussions taking place at global level on dedicated working groups focussing on Blended Concessional Finance; and iii) between IFIs themselves such as in the context of the Mutual Reliance Initiative involving EIB, AFD and KFW.

Overall, European actors have established efficient mechanisms both for national and regional coherence and complementarity. While the level of institutionalisation to ensure coherence and complementarity differs between *Western Balkans* and the *Neighbourhood* regions, no major overlap between blending interventions has been identified in any of the regions. IFIs have systematically carried out consultations, including with EUDs, before submitting application to the board of EU Blending facilities. Design documents feature a dedicated coherence section including an analysis of the coherence and complementarity of the project at hand. Although the level of detail provided in this section varies across, the information presented show that efforts have been systematically made during design stage to ensure coherence.

There are clear linkages with (incl. learning from) past IFIs' blending interventions, less so from EU non-blending interventions or other ongoing blending interventions. As mentioned above (section 4.1.3), the design of EU Blending interventions has substantially benefitted from the longstanding experience, the lessons learnt and the refined approaches developed by the IFIs in the context of past blending interventions. However, learning mechanisms at EU level have remained weak (see section 4.2.2). Furthermore, the evaluation shows weak linkages with non-blending interventions, especially a lack of integration of EU Blending support, including TA, in broader EU country support. While there is evidence of broad consultations carried out during design stage, the lack of references to interventions of other European actors and to EU's past and present engagement in policy dialogue in many design documents suggests that the potential for learning from other interventions has not been fully tapped. There has also been some reluctance of IFIs to go beyond the delivery of specific financial and non-financial services identified in the agreements signed at intervention level, resulting in limiting engagement in in-depth policy dialogue. Moreover, EUDs were often insufficiently involved in the implementation of individual interventions and sometimes lacked the capacity (incl. in terms of human resources and expertise) to assume a pivotal role between EU Blending support and other forms of support.

5 Main findings related to the effects in the three sectors of focus

EU Blending contributions to: i) improving MSME access to finance and private sector competitiveness in partner countries; ii) improve the generation of and access to affordable, reliable, sustainable, efficiently-managed energy; iii) the generation of and access to adequate, reliable and sustainable water & sanitation, and waste management services

Overall, the effects of EU Blending interventions falling in the scope of the evaluation – therefore approved in the period 2015-2021 – are not yet observable given the early stage of implementation of most of them. Results of EU Blending support are more visible in the area of PSD than in the Energy and Environment ones; this discrepancy arises from the fact that the support in these latter sectors cente

red around substantial infrastructure projects that naturally take longer to implement and frequently encountered significant delays.

Across all the sectors under examination, the utilisation of EU Blending support to advance regulatory and institutional reform has been limited. In several cases (esp. in the Enlargement context), other forms of EU support were used to address such issues. However, there has been a lack of integration between blending interventions, EU policy dialogue efforts, and other forms of assistance to achieve the intended outcomes in this particular realm. Moreover, IFIs involved in the implementation of EU Blending support have generally not demonstrated significant involvement or interest in policy dialogue.

Upon their completion, infrastructure projects within the Energy and Environment sectors hold the potential to yield noteworthy socioeconomic benefits for the targeted populations. However, there are concerns regarding the sustainability of the investments, with only partial mitigation measures undertaken so far. The lack of integration of blending support into broad sector support provided at country level has further compounded the situation.

In the PSD sector, the contribution of Blending to improving access to finance for MSMEs is difficult to assess because local banks focus on the financial aspects of lending and have limited capacity and experience in tracking changes related to the objectives pursued by EU support in the businesses to which they lend. Available evidence paints a mixed picture. Some of the cases reviewed show that local banks continued lending to their established client base. While EU Blending has plausibly contributed to improved competitiveness and innovation, monitoring makes it difficult to establish this. In interventions reviewed, also little monitored is contribution (via mainstreaming) of cross-cutting issues such as social and environmental sustainability. All financial institutions, international and private, tend to monitor basis static firm indicators like turnover and number of employees, not forward-looking ones that could track the development of new business models and markets. The most prominent contributions to sustainability issues stem from the EU and its partners' emphasis on promoting the green transition across all regions.

Finally, as mentioned in section 4.2 above, it is challenging to comprehensively track and evaluate the results of blending operations due to shortcomings in monitoring and evaluation systems and practices, including a focus on outputs over outcomes in monitoring and reporting, and a lack of external assessments.

5.1 Results in the area of Private Sector Development (MSME Access to Finance and Competitiveness)

5.1.1 Overview of EU portfolio in the sector

The portfolio of EU Blending support to Private Sector Development (PSD) falling in the scope of the evaluation amounts to EUR 1.3 billion. It consists of a broad range of interventions, some of them with already a long history of support – see box below.

Box 3 Overview of the EU Blending support to PSD

All forms of financial contributions have been used to provide support in the PSD area: *TA support* (EUR 231 million); *Grant* – mostly in the form of incentive grants (EUR 404 million); *Equity* (EUR 279 million); and *Guarantees* (EUR 497 million). All regions received substantial amounts: EUR 337 million in the *Western Balkans*; EUR 552 million in the *Neighbourhood East*; and EUR 430 million in the *Neighbourhood South*.

The largest EU-supported multi-country initiatives include: i) the *DCFTA initiative* in the Neighbourhood East (with EBRD and EIB as main partner IFIs) – EUR 234 million of EU Blending support; ii) the *EDIF* in the Western Balkans (mostly EBRD and EIF) – EUR 234 million; iii) the *European Fund for Southeast Europe (EFSE)* programme in the Western Balkans and Neighbourhood East (EIF and KFW) – EUR 234 million, and iv) the *EU Trade & Competitiveness programme* in the Neighbourhood South (EBRD and EIB) – EUR 234 million.

In addition to these PSD-specific interventions, the EU also supported initiatives with a broad sector coverage which included a PSD-specific component and often had a strong energy efficiency or renewable energy focus – e.g.: i) the Green for Growth Fund (EIF and KFW) – EUR 183 million; ii) E5P (EBRD) – EUR 60 million; iii) Finance and Technology Transfer Centre for Climate Change - FINTECC (EBRD) – EUR 15 million; and iv) SUNREF (AFD) – EUR 33 million.

5.1.2 Strengthening of regulatory and institutional reforms

With very few exceptions, EU Blending support has not targeted the strengthening of regulatory and institutional reform in the PSD area. None of the interventions reviewed included in their result framework indicators to measure their contribution to strengthening relevant policy, legal or institutional frameworks.

In the *Western Balkans*, the EU-funded Enterprise Development & Innovation Facility (EDIF) included some activities at policy level. Other EU Blending interventions in the *Western Balkans* have also encouraged private actors' compliance with EU norms and standards thereby contributing to broader reform process supported in the context of IPA support and accession negotiations. There is some evidence, for example, from *Georgia,* that this was also the case in countries with Association Agreements in the *Neighbourhood East*[21]. In the *Neighbourhood South*, one intervention identified as supporting policy reforms in the PSD area is the EBRD-led '*SEMED MSME Financial Inclusion*' programme. The intervention included a small envelope which was used to mobilise external consultants and support events on specific topics (e.g. crowdfunding regulation, SME market restructuring) in the targeted countries, with no evidence of direct contribution to specific reforms adopted afterwards in these countries.

The absence of direct support to sector reforms through EU Blending is not unexpected, considering its focus on financing specific investments and the availability of other modalities, such as budget support, to promote regulatory and institutional reforms. A more crucial concern is whether connections have been established between blending, EU policy dialogue and other forms of assistance to achieve desired outcomes in this area. As mentioned earlier, the linkages between EU Blending support and EU policy dialogue have been limited. This situation is partially attributed to the fact that the primary stakeholders involved in blending are focused on delivering financial services, with limited interest and experience in engaging in complex policy dialogue activities. An exception may be the EBRD, but the evaluation gathered limited evidence regarding the institution's engagement in policy dialogue and the extent of the coordination with the EU on policy dialogue at the country level remain unclear. In certain cases, such as in *Egypt* where budget support was not available, the EU has strategically utilised blending support to strengthen its engagement in policy dialogue, effectively applying a 'walk the talk' approach.

5.1.3 Access to Finance

EU Blending support has contributed to improving the availability and terms of funding for businesses in the three regions although it is difficult to measure the exact size of this contribution. All forms of support funded by the EU (e.g. loan guarantees, grant incentives, TA to partner financial institutions, equity funding) have been used to develop access to finance in the three regions. Most interventions reviewed report on achievements in terms of strengthening partner financial institutions capacity to provide on-lending to MSMEs. There are also positive effects observed in terms of helping to mitigate risks associated with local currency financing.

In the *Western Balkans*, the Enterprise Development & Innovation Facility (EDIF), to which the EU provided various contributions, has supported more than 5,000 MSMEs since its inception in 2012. In parallel, the EU has supported on-lending by local commercial banks and credit institutions to MSMEs via dedicated national SME competitiveness support programmes such as in *North Macedonia*. In the *Neighbourhood East*, the DCFTA Initiative East – Phase I has provided risk capital instruments to finance two microfinance institutions in *Georgia* as well as MSME loan guarantee operations involving

[21] In particular, in *Georgia, Moldova* and *Ukraine*, the support provided in the context of the DCFTA features a component that is explicitly dedicated to the alignment of national regulatory frameworks to EU regulations.

seven financial intermediaries (two in *Georgia*, one in *Moldova* and four in *Ukraine*) and covering 1,947 MSMEs, hereby supporting more than 60,000 jobs in these countries. In *Armenia*, the EU and EBRD provide equity funding to an 'SME Finance and Advice Facility' (the 'EU-Armenia SME Fund'), which finances the development of two SMEs (one in the area of renewable energy and one in the area of food processing). In the *Neighbourhood South*, interviews and the documents reviewed confirmed that the SEMED MSME Financial Inclusion Programme was successful in increasing access to finance in some of targeted countries (*Egypt, Jordan, Lebanon, Morocco, Tunisia*) – see Box 4.

Measuring the effects achieved in specific sectors or geographical areas is challenging due to the lack of data. Additionally, assessing the exact contribution of EU support to these achievements presents difficulties. In many cases, the EU was not the primary initiator of the support but rather intervened at a later stage to facilitate the implementation of a specific component, either through de-risking investments or providing capacity strengthening to financial intermediaries and ultimate beneficiaries through TA. Despite evidence indicating that some investments might have happened regardless of EU support, it is difficult to definitively confirm this or determine if the lack of EU support would have caused delays or reduced the effectiveness of these investments.

While some EU contribution to increasing access to finance in the three regions is undeniable, in several cases, the beneficiaries of the support have not been the MSMEs the most in need in terms of access to finance. Some interventions may have had positive effects on strengthening financial intermediaries' (incl. microfinance institutions) capacity to operate in risky market segments. Given the scale of a few programmes and their explicit focus on the most underserved segments of the economy, it is likely that these programmes have reached some MSMEs which are the most in need in terms of access to finance – see box below on the SEMED Financial inclusion programme. However, in several cases, despite a stated objective to promote access to finance, the evidence shows that beneficiaries of on-lending support have not been the most in need.[22] These interventions didn't succeed in effectively responding to the tendency of local banks to lend to the same clients. This suggests that targeting was insufficient in some blending interventions and that blending support may have created market distortions. In *North Macedonia*, the evidence gathered indicates that EU Blending support did not significantly incentivise financial intermediaries to reach out to more risky SMEs. This illustrates the significant risk aversion that exists at the level of the EU's main partners in blending support, i.e. IFIs and financial intermediaries.

Box 4 *Focus on SEMED MSME Financial Inclusion programme in the Southern Neighbourhood*

The *SEMED MSME Financial Inclusion*' Programme was approved by the board of the Neighbourhood Investment Facility in June 2015, and the EU and EBRD signed the related delegation agreement in October 2016. The EU provides first-loss risk cover to EBRD loans to financial intermediaries in *Egypt, Jordan, Lebanon, Morocco* and *Tunisia*. Financial intermediaries include both microcredit institutions and commercial banks.

The initial goal of a total of EUR 130 million lent to at least 4 PFIs was exceeded, with EUR 235 million of loans provided by EBRD to 14 FIs. While not all the EBRD investments have been fully on-lent so far, 12,470 MSMEs benefited from on-lending against an initial target of 1,500 MSMEs. The programme has progressed particularly well in *Morocco* and *Tunisia*. In *Egypt*, on-lending has happened only at a slow pace. In *Lebanon*, activities were halted following the crisis that hit the country in recent years. In *Jordan*, the collaboration with the only financial intermediary identified initially, has been suspended due to a breach of the regulatory requirements.

Microcredit institutions (*Egypt, Tunisia*) have benefited from the TA provided by the programme, with evidence of greater awareness of credit techniques for MSMEs. The picture is more mixed for commercial banks, whose internal culture and procedures continue to hinder greater support to the most underserved MSMEs.

A quarter of EBRD investments has been provided specifically to finance women-led businesses. Several loans provided in the context of the programme intersect with the 'Women in Business' programme implemented by EBRD in some of the targeted countries (*Morocco, Egypt*).

5.1.4 Competitiveness, incl. innovation, inclusion and social/environmental sustainability

EU Blending support has contributed to raising the capacity of beneficiary SMEs, ensuring high standard of investment and improving production processes, management organisation and staff skills and competencies, resulting in enhanced competitiveness. All EU inputs have contributed to this. Grant incentives financed by the EU have played a particularly strong role, with evidence that, in some cases, it has helped to accelerate beneficiaries foreseen investment and enhanced the quality of this investment – see Box 5. The demand for business advisory services highly depends on the sector and the profile of the targeted beneficiaries.

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[22] In particular, this was highlighted in interviews with in-country stakeholders in the case study-countries covering EU Blending in the PSD sector.

Box 5 *Focus on the SME competitiveness support programme in the Republic of North Macedonia*

The *North Macedonia SME Competitiveness Support programme*, implemented by the EBRD since January 2018, is a national facility under the umbrella of the *Regional SME Competitiveness Support programme*. The objective is to support SMEs to improve their production capacities and enhance processes and product quality through the introduction of EU standards (e.g. in the field of environmental protection, product safety, product quality and occupational health and safety) to improve their competitiveness within the national economy, regionally and in the EU internal market. The programme entails dedicated credit lines to SMEs (EUR 30 million from EBRD)[23] coupled with: i) investment incentives (EUR 4.3 million from the EU); and ii) TA to promote loans and support their provision to MSMEs through delivering technical support and verifying the results and compliance with eligibility criteria for the grant (EUR 1.5 million from the EU).

The initial goal of on-lending of EUR 30 million was achieved already in October 2019 through four contracts with three PFIs from North Macedonia. 179 sub-loans were delivered, financing 173 sub-projects with 144 SMEs. The TA component has produced 82 investment plans (68% of envisaged 120) and 147 verification reports.

One of the central aspects of the programme is improved alignment of the SMEs with one or several of three EU directives in the area of energy efficiency and environmental protection, health and safety and product safety and quality. 50% of supported projects aligned with EU directives in all three dimensions and an additional 45% with a combination of two of the relevant directives.

While most EU Blending interventions have explicit objectives related to the promotion of innovation and inclusive business models, few interventions promote them directly or report on these issues. While most documents mention in general terms that EU Blending support aims to promote innovation and inclusive growth, a detailed review of six interventions indicates that only two of them directly address these issues and report on them through the indicator matrix. One intervention focuses on supporting innovative SMEs, while the other targets the promotion of financial inclusion. However, even in these cases, the reporting on inclusiveness is only partially covered. In the interventions reviewed, loans are frequently provided by commercial banks, which tend to place limited emphasis on inclusion aspects.

There is limited evidence that EU Blending support promoted social and environmental sustainability as a cross-cutting issue beyond, in some cases, their inclusion in basic eligibility criteria. The documentation related to the sample interventions targeting the area of PSD rarely mentions these topics, and the team could not identify any result indicator to measure these aspects. An institutional issue is that financial institutions, both public and private, rarely step out of their strict lending role to continuously monitor borrower performance. It is basic data such as turnover, number of employees, etc., that they track, not more comprehensive, qualitative or forward-looking indicators such as new business models, new markets developed or type of employees recruited.

The most prominent contributions to sustainability issues stem from the EU and its partners' emphasis on promoting the green transition across all regions. As further elaborated in section 5.2, the EU has made significant investments in renewable energy and energy efficiency, with the majority of blending interventions in the PSD area covering these topics.

5.2 Results in the area of Energy

5.2.1 Overview of EU's portfolio in the sector

The portfolio of EU Blending support to Energy amounts to EUR 623 million. It covers very different types of investment projects in a broad range of areas – see box below.

[23] This envelope was complemented by seven additional (but substantially smaller) credit lines under the Regional SME Competitiveness Programme, amounting to a total of EUR 51 million of support to *North Macedonia*.

Box 6 Overview of the EU Blending support to Energy

EU Blending support to Energy covers a broad range of areas, including: i) Energy Efficiency – EE (e.g. retrofitting of public and private buildings with energy-efficient equipment and insulation, upgrading/new construction of energy-efficient power generation infrastructure, energy consumption at MSMEs level, etc.), ii) Renewable Energy (e.g. solar power plants); iii) Clean energy (e.g. upgrading/ de-commissioning of old/dirty power plants, especially coal burning) and energy security (security of national power sources); and iv) Regional integration (e.g. gas interconnectors).

All regions received substantial amounts: EUR 200 million in the *Western Balkans*; EUR 144 million in the *Neighbourhood East*; and EUR 280 million in the *Neighbourhood South*. However, the composition and thematic focus of the portfolio substantially differs from one region to another. There is a strong focus on EE in the *Neighbourhood East* portfolio and on large (esp. renewable energy) infrastructure projects in the *Neighbourhood South* one. The *Western Balkan* portfolio is characterised by one large EE project *(REEP Plus*), a few power interconnection projects and a myriad of small TA support projects.

In terms of inputs, EU Blending support has essentially consisted in the provision of TA (EUR 134 million) and Investment grants (EUR 489 million). The largest EU regional Blending interventions include: i) *Regional Energy Efficiency Programme for the Western Balkans (REEP Plus)* – EUR 86.8 million (with EBRD as lead IFI); and ii) *Programme for Energy Efficiency in Buildings for the Mediterranean region* – EUR 29.8 million (AFD/PROPARCO). EU support also financed large single investment projects such as: i) *Egypt Natural Gas Connection Project* – EUR 68.0 million (AFD); ii) *Noor Midelt I and II Solar Energy* (Morocco) – EUR 60.0 million (KFW and AFD); iii) *Trans-Balkan Electricity Corridor* – EUR 44.4 million (KFW); iv) *Moldova-Romania Interconnection Phase I* – EUR 40.0 million (EBRD); v) *Wind Farm Project Gulf of Suez* (Egypt) – EUR 30.0 million (KFW). As mentioned in Box 3, in addition to these interventions, the EU also supported broad multi-sector initiatives and structured funds such as: i) the *Green for Growth Fund (GGF)* – EUR 183 million (EIF and KFW); ii) *E5P* – EUR 60 million (EBRD); iii) *FINTECC* – EUR 15 million (EBRD); and iv) *SUNREF* – EUR 33 million (AFD). Some of these interventions (e.g. GGF) included equity funding.

5.2.2 Strengthening of regulatory and institutional reforms

The contribution of EU Blending interventions to strengthening regulatory and institutional reforms in the Energy sector has been limited and is mostly visible in the *Western Balkans* and in *Neighbourhood East* countries with an Association Agreement with the EU. According to interviews and document reviewed, EU Blending support has mainly contributed to regulatory and institutional reforms through three channels: i) financing of policy dialogue activities and the drafting of specific pieces of legislation in the context of the ‘REEP Plus’ (and its predecessor ‘REEP’) regional programme, which focuses on the *Western Balkans* and contains a dedicated Window for policy dialogue – see Box 7; ii) bringing weight to EU’s engagement in policy dialogue at regional level in the context of the Energy community; and iii) support broader EU support initiatives to Energy sector reform in countries such as *Georgia*, where Blending support brought weight to EU’s engagement in policy dialogue and is helping to ‘roll out’ and ‘demonstrates’ the necessary regulatory and institutional changes.

Most interventions reviewed are only loosely related to specific reform processes and focus on what could be summarised as ‘project pipeline’ activities in support of countries to meet targets for producing cleaner energy and saving energy or meet policy objectives related to e.g. energy import dependency. There is no evidence that EU Blending support has had any significant effect on tariff reform in the energy sector.

Box 7 REEP / REEP Plus - results achieved in the Republic of North Macedonia

The *REEP Plus* intervention was adopted by the WBIF board in 2016, and is the follow-up programme of the *Regional Energy Efficiency Programme for the Western Balkans* (REEP) that started in 2013. EU support falling in the scope of this evaluation consists of seven WBIF contributions to EBRD and KFW approved between 2016 and 2021. *‘REEP’* and *‘REEP Plus’* both include a dedicated policy dialogue window which focuses on: i) policy support to second and third National Energy Efficiency Action Plans (NEEAP) implementation; ii) transposition and implementation of the EU EE Directive and Energy Performance of Buildings Directive (EPBD); and iii) addressing policy barriers to greater energy efficiency investment in the residential sector by establishing legal frameworks for multi-family apartment building owners and management. There is good evidence on progress with EE regulatory issues based on *REEP* and *REEP Plus* support in various Western Balkan countries.

In *North Macedonia,* a Law on Energy Efficiency was drafted[24] in alignment with the EU’s EE Directive, EPBD and the Labelling Regulation. Support to the drafting of the necessary secondary legislation provided under the Window 1 of *REEP Plus* contributed to the compliance of the regulatory framework with the EE Directive Article 7 and the development of Energy Efficiency Obligation Scheme.

[24] The Law was adopted by the Parliament in February 2020.

5.2.3 Effects on Energy Efficiency

As most EU Blending interventions focussing on Energy have faced considerable delays in implementation, only a few of them have contributed to actual energy savings so far; none of the interventions reviewed has achieved its target in this outcome area. In a sample of 10 interventions focussing on Energy, the team was able to identify only two interventions that have contributed to some concrete effects in terms of EE and CO2 abatement. In the *Western Balkans*, the EU-funded interventions under REEP Plus have all faced substantial delays. Taken as a whole, these interventions have still contributed to substantial on-lending to MSMEs via financial intermediaries (EUR 297 million of lending through more than 30 intermediaries) and direct lending (EUR 143 million). This resulted in estimated energy gains of 842k MWh/y and CO2-emission reductions of 540k t/y.

EU support provided (mostly in the form equity) through the GGF has contributed to various EE investments in *all regions* – see also section 5.1. In the *Neighbourhood South*, GGF report CO2 savings of 149.12 kt/year. However, this is lower than the initial target of 1,000 kt/year. Similarly, the gains in terms of energy savings are estimated at 673,587 MWh/y against a target of 4,000 GWh/y.

As mentioned in section 5.1, many EU Blending interventions have fostered the development of credit lines to MSMEs, and, according to the documents reviewed, most of the on-lending provided during the period under review focussed on investments that implied some form of energy saving. However, the extent to which the EU-supported investment incentives were effective is difficult to measure. There is only anecdotal evidence regarding the (positive) effects it had on EE-related investment decisions.

Given data gaps in reporting and issues with the reliability of the data available, the Team was not able to meaningfully aggregate result data from the different interventions that were identified as contributing to EE gains.[25] None of the progress reports consulted contain details on how estimated figures (e.g. CO2 savings) at the aggregated project level had been calculated, nor do they contain any discussion on the quality of the data reported on. The team has also not identified any evidence showing the replication of successful activities or the potential catalytic effect achieved by some investments.

However, interviews and the results of the eSurvey confirm that, overall, the EU has substantially contributed to developing EE investment and more generally strengthen the countries' green transition in all regions under review.

Most EU Blending support to EE faced considerable challenges at partner country level. Beyond issues related to the time necessary for the EU and IFIs to finalise contractual aspects at HQ level and delays created by specific crises such as the COVID-19 pandemic, EU Blending support to EE faced various obstacles at country level, including: i) delays in getting authorisation from national/local authorities for investment projects (e.g. Georgia, Ukraine); ii) delays related to the time needed for specific procurement processes (incl. for TA component); iii) political and institutional instability affecting the steering of the investment project by the national partners (e.g. Armenia, Moldova, Ukraine); iv) capacity issues at the level of financial intermediaries and ultimate beneficiaries; v) factors related to the specific local contexts such as the decreased attractiveness of concessional funding from IFIs in certain countries (e.g. Tunisia) or the postponement by some beneficiary businesses of the foreseen investment due to e.g. a difficult economic context. The Interviews and documentary evidence gathered also point to important obstacles related to the limited private and public sector actors' awareness of the (incl. short-term) benefits achievable through innovative energy-efficiency measures. Although some interventions included some awareness raising components, it is not clear how EU Blending support has contributed to broader efforts in this area.

5.2.4 Effects on Production and distribution of low-carbon energy

Only a few of EU Blending interventions focussing on Energy have progressed sufficiently to show actual achievements in terms of improving the production and distribution of low-carbon energy. As mentioned above, EU Blending interventions focussing on Energy have faced considerable delays. The interventions reviewed that are showing results in terms of production and distribution of low-carbon energy are the same interventions mentioned above: i) the well-established multi-country initiatives REEP and GGF, which included specific components on renewable energy; and ii) other individual interventions supporting the development of credit lines to MSMEs, most of which also included investment in renewable energy.

Some large infrastructure investment projects are likely to yield important socio-economic results. For instance, the Moldova-Romania Interconnection projects aims to create an additional secure, cost-efficient and reliable source of energy for *Moldova* and foster opportunities for cross-border

[25] It was also not possible to calculate in a robust way (and analyse across the portfolio) ratios such as the EE gains per EUR invested.

electricity trading as well as contribute to the requirements of the Energy Community Treaty. Consumer costs should also decrease by importation of cheaper energy from Romania.

Overall, the size of the investments made appear small compared to the needs. Some interventions outside the sample have reportedly produced some positive results, including in terms of contributing to increasing clean energy generation capacity of partner countries. However, while these interventions are also helping the countries to meet e.g. their Green House Gas (GHG) emissions reduction targets, the size of the investment is often small compared to the needs.

5.3 Results in the area of Environment (water/waste)

5.3.1 Overview of EU's portfolio in the sector

The portfolio of EU Blending support to Environment amounts to EUR 491 million.[26] It covers very different types of investment projects in a broad range of areas – see box below.

Box 8 Overview of the EU Blending support to Environment

EU Blending support in the Environment sector had a strong emphasis on *water/wastewater management,* with solid waste management interventions representing a smaller part of the portfolio. The *Neighbourhood East* region received substantially lower (EUR 79 million in 10 interventions) EU Blending support than *Neighbourhood South* (EUR 412 million in 20 interventions).

EU support was exclusively channelled through *Investment Grants* (EUR 400 million) and *TA contributions* (EUR 91 million). EU Blending did not support regional or cross-border interventions in the sector.

The largest EU-supported single interventions in the sector are infrastructure investments such as: i) the *Kitchener Drain programme* in Egypt (with EBRD and EIB, EUR 45.8 million), ii) the *Programme d'amélioration du système de stockage, de transfert et de protection contre les inondations en Tunisie* (*STPCI)* in Tunisia (with KFW, EUR 40 million), iii) the *Fayoum Wastewater Expansion* in Egypt (with EBRD and EIB, EUR 37 million); iv) the *Al Ghawabi Septic Tank Facility* in Jordan (with EBRD, EUR 30 million); and v) the *Saiss Garet Water Conservation Programme* in Morocco (with EBRD, EUR 28.5 million).

5.3.2 Environment sector - Strengthening of regulatory and institutional reforms

Some EU Blending interventions have contributed or are likely to contribute to sector reforms. Overall, due to slow project onset and delays in implementation, very little results have materialised to date in the portfolio reviewed. Moreover, most EU Blending interventions have focused on infrastructure development projects, with no explicit objectives related to the strengthening of sector reforms important delays. However, there is some evidence that some blending interventions have been / are being used to strengthen regulatory and institutional reforms. In *Morocco*, EU support is contributing to the PNA2, a large initiative focussing on sanitation and supported by AFD, KFW and EIB. This programme entails a strong policy dimension and TA activities financed by the EU contribute to awareness raising on sanitation, including at the level of national decision makers. Still in Morocco, the support to the Saiss Garet programme has contributed to promoting policy dialogue on water conservation and wastewater management – see box below.

A main area of reform in this sector is the achievement of full cost recovery and thus tariffs increase processes, taking into considerations the overall macro-economic situation of the country and support from international institutions in this regard. There is evidence that, through the conditionalities attached to loans by IFIs and the dialogue taking place during the design of the interventions, EU Blending support provided in various Neighbourhood countries like *Egypt* is contributing to addressing these specific sector challenges.

Mainly because it is not an explicit objective of the blending interventions, progress reports contain very little information on the contribution of EU support, incl. TA, in this area.

[26] As per the ToR of the evaluation, the scope of the analysis is limited to the Neighbourhood East and South regions in this sector.

Box 9 Focus on the Saiss Garet programme (Morocco)

A sovereign loan of up to EUR 150 million by EBRD along with a grant of EUR 28 million (incl. EUR 3 million for TA) by the EU's Neighbourhood Investment Platform allow the financing of: i) the construction of key components of the Saiss water transfer network comprised of the main distribution pipeline as well as the primary and secondary distribution networks (the 'Saiss II Project"); and ii) the rehabilitation and modernisation of the water distribution network and full conversion to drip-fed watering system in the Garet perimeter (the 'Garet Project'). In particular, the Saiss II Project is part of a staged programme to preserve the Saiss aquifer and promote sustainable water management within the Saiss plain. The Saiss project consists of a hydro-agricultural water transmission and distribution system aiming to preserve the Saiss underground water, which is currently overexploited, by providing alternative surface water from the Mdez dam in Sefrou.

The EU-funded TA contributes to improving the governance of the water sector, a policy priority for Morocco. It also promotes the adoption of more efficient and sustainable agricultural practices by farmers, which is an important factor for the success of the country's strategy in conserving water resources. It offers a platform for partners to discuss improvements to the regulatory framework to promote a green economy, with the support provided by the EU and EBRD playing a demonstration effect for green technologies.

5.3.3 Effects on provision of water & sanitation and waste management services

EU Blending interventions are expected to provide a significant contribution to the provision of water & sanitation and waste management services. Because of the time necessary for the completion infrastructure development projects and significant delays faced in all interventions reviewed, none of the expected results have materialised to date.

Some interventions (e.g. in *Jordan*) are contributing to expand and sustain the support already that European actors have already provided in this sector for several years, and are seen by some stakeholders as critical from a strategic and long term perspective. Moreover, the positive results shown by a few interventions that started implementation before the period under review suggest a promising outlook for some of the support that is currently being delivered.

5.3.4 Effects on access to water & sanitation and waste management services

Although it was not possible to assess the effects of EU Blending support of the final beneficiary population, **some stakeholders interviewed underlined that investments in water supply and wastewater systems are likely to deliver significant social and economic benefits in the medium term**. As mentioned above, because of the duration of infrastructure projects and significant delays faced so far, none of the expected results in the portfolio reviewed have materialized so far.

There is some concern regarding the sustainability of the support provided in this sector. Many of the investments are financially and economically non-viable without further grant support to capital investment and/or operational subsidies, which also underlines the role played by tariff reforms in ensuring that important investments being supported have lasting effects.

There is a legitimate concern regarding the long-term sustainability of the support provided in this sector. A significant portion of the investments are not financially and economically viable on their own because of consumers resistance to major tariff increases; additional grant support for capital investment and/or operational subsidies are therefore usually required. This emphasizes the crucial role of tariff reforms in ensuring that the supported investments yield lasting effects.

6 Overall assessment

Blending was not a new modality at the start of the evaluation period (2015). But, it was still maturing as a key modality for EU external action in the *Western Balkans* and *Neighbourhood* regions. Since then, the context has changed significantly. EU Blending guidelines were further developed, including through various sector guidance notes during 2015, a profound revision of the main guidelines in 2019 and continuous adjustments made to the specific tools and templates employed during programming (including application forms used in the context of the regional blending facilities). This has contributed to a clarification in guidance and instructions, creating better conditions to more closely engage EU staff in Blending. New policy priorities also emerged, notably in conjunction with the 2018 EU Green Deal and its declination in the form of a Green Agenda for the Western Balkans in 2020, and with the launch of the Global Gateway in 2021 and the Economic and Investment Plans in 2020 and 2021. The recent changes in the EU policy and strategic frameworks have further reinforced the role of blending as a key modality for EU external action, increasing expectations regarding the results it is poised to deliver. In parallel, contextual shifts linked to events such as the COVID-19 pandemic and Russia's invasion of Ukraine have, in part, redirected the emphasis of EU Blending support in the *Western Balkans* and *Neighbourhood* regions. Knock-on effects on global supply chains and food and energy prices introduced supplementary complexities into delivery processes. The evaluation shows that the EU and its IFI partners responded flexibly to this rapidly changing environment.

There is evidence that EU Blending support is contributing to EU policy goals. Private sector interventions are providing additional funding opportunities to MSMEs although not always sufficiently well-targeted. Moreover, once completed, the operations underway in the energy sector are likely to result in significant benefits in terms of energy savings and CO_2 abatement. Likewise, the projects in the environment sector are expected to significantly contribute to the provision of water and waste management services. However, the results related to the interventions in the scope of the evaluation have been limited to date. This is particularly the case for infrastructure investment projects, which have experienced considerable delays, often due to insufficient follow-up by co-financiers and limited commitment from national partners. The overambitious design of some interventions and insufficient efforts in upstream support also partly explain the slow pace of implementation observed in the overall portfolio. Moreover, weak results frameworks used at the level of individual interventions during the period under review and a lack of ex-post follow-up by the EU or implementing partners make it difficult to assess the impact of EU Blending support.

This evaluation found that the way EU Blending is operationalised in the *Western Balkans* and *Neighbourhood* regions does not fully realise the potential of the modality. While EU contributions play a positive role in the investment projects supported, they are not adequately recognised and exploited, including by the EU itself. This is linked with: i) limited capacity to analyse investments from both a financial and non-financial point of view, which partly leads to a lack of clarity regarding the financial and non-financial additionality that can be expected from EU contributions; ii) insufficient strategic use of the EU grant funding to target investment projects with the greatest potential for development impact; and iii) insufficient integration of EU Blending support (including TA components) with policy dialogue and broader support/other forms of assistance provided at sector level.

Collaboration between EU and IFIs has been good, ensuring overall portfolio coherence. In fact, EU Blending played an instrumental role in bolstering collaborative approaches at European level, particularly evident in more recent times under the Team Europe approach. However, the 'transfer of responsibilities' that is foreseen under delegated agreements between the EU and IFI has been characterised by a lack of clarity and proper demarcation. This situation can be attributed both to EUDs, some of which may have relieved their capacity constraints by over-delegating responsibilities to IFIs, and to IFIs, which have been reluctant to embrace issues going much beyond the financial services at the core of the supported project. This has weakened EUDs' involvement, despite the pivotal role they could and should play in the design and implementation of EU Blending.

During the period under review, the monitoring, evaluation and learning systems, including the results frameworks used in individual interventions, have been inadequate for comprehensive implementation follow-up by the EU, the joint identification and implementation of corrective actions and accountability. The EU and its partners have addressed some of these issues with the recent approval of the EFSD+ results measurement framework in line with the broader EU results framework, the objectives of the NDICI-GE[27] and IPA III Regulations and international frameworks such as the Sustainable Development Goals (SDG). However, sustained efforts at all levels will be required to make these changes effective.

This evaluation concludes that EU inputs to IFI-led investment projects, if well operationalised and appropriately leveraged through policy dialogue and other forms of support, can contribute significantly to achieving the EU's policy objectives in the future. Against this backdrop, and taking into account the EFSD+ and its emphasis on de-risking investment through larger guarantee support, there is a need to continue providing a balanced attention to all forms of support (including guarantees, blending, budget support and policy dialogue) and fostering synergies among them.

[27] The Neighbourhood, Development and International Cooperation Instrument – Global Europe (NDICI-GE).

7 Conclusions

7.1.1 Conclusion 1: Strategic relevance

C.1: EU Blending support has responded to important needs in partner countries, but its potential to add value to specific investments has not been fully tapped.
The conclusion is based mainly on EQs 1 and 4-6.
EU Blending support is provided in regional contexts characterised by considerable needs in terms of: i) infrastructure investment in the areas of Energy and Environment, and ii) support to MSMEs' competitiveness and access to finance.[28] The whole range of **instruments** available to the EU (investment grants, TA, equity, guarantees) has proved to be useful to respond to these needs. European IFIs leading investment projects in the three regions strategically used EU's inputs to strengthen the support they delivered in response to the needs identified. TA emerges as the input where EU support has shown its strongest **added value**. However, its inclusion in the Blending support package presented several weaknesses, mainly related to: i) *timeliness* – i.e. TA was sometimes implemented too late and following an overly sequential delivery approach; ii) *monitoring* – i.e., several interventions failed to demonstrate how TA contributed to the stated objectives (see Conclusion 3); and iii) *integration* – i.e., TA targeting capacity building and policy dialogue was insufficiently integrated in broader (country level or sector level) initiatives aiming to sustainably strengthen the capacities of national institutions and key private sector actors. Relating to poor integration, the reluctance of some IFIs to engage in in-depth policy dialogue could only be partially covered by the ad hoc TA mobilised in the context of some individual interventions, with often limited linkages with existing EU engagement in policy dialogue. There is a considerable untapped potential for better **linking Blending support with EU support to policy reforms**, building on EU's unique presence on the ground and access to data that can inform policy making and implementation. What also emerges from this evaluation is that, during the period under review, there has been insufficient attention being paid to non-financial additionality when implementing EU Blending support in the three regions under review - see also Conclusion 3. Financial additionality has received some attention at design stage. EU Blending support was combined with substantial resources mobilised by the partner IFIs leading to important **financial leverage ratios** in many interventions. However, it is unclear whether these high ratios reflect an actual leverage effect and financial additionality. While, in some cases, EU's engagement has played a role in enhancing the credibility of the investment financial package being delivered, in most cases, the team was not able to demonstrate that the investment projects would have not occurred (or not as quickly or in the same scale) in the absence of EU support. Moreover, while there is no sign that EU support has crowded out private sector actors from targeted investments, there is limited evidence on the overall effectiveness of EU Blending interventions in terms of crowding in private finance, esp. from international investors. This is partly due to the inherent characteristics of infrastructure financing, which is generally long-term, and where private investors consider that the return on investment is not fast enough.

7.1.2 Conclusion 2: Programming and Design

C.2: EU Blending support has suffered from various weaknesses in programming and design.
The conclusion is based mainly on EQ 1.
While implemented EU Blending interventions were broadly relevant and aligned with national policy and legal frameworks, they often suffered from weaknesses in **design.** Important delays faced during implementation revealed the lack of maturity of some infrastructure projects. Design documents also show: i) over-ambitious objectives, with a lack of strategic focus on a few objectives; ii) unclear paths towards the intended objectives and incomplete results framework (see Conclusion 4); and iii) a lack of documented justification of the volume of financial support being mobilised and why specific types of EU funding were favoured over other sources of finance. While EU Blending interventions appear to have responded to clear market needs, there is only limited evidence that their design was underpinned by **detailed economic/analyses**. In particular, a detailed assessment of the minimum concessionality level for credit lines is often lacking at design stage. The

[28] While this evaluation covers the support provided by the EU in the three sectors of PSD, Energy and Environment, EU Blending is also covering other sectors with considerable needs in partner countries, e.g. transport.

heavy reliance on IFI's own market analyses, the details of which are often not shared with the EU, has encouraged the EU, IFIs and national counterparts to favour traditional projects in areas where IFIs have extensive experience, limiting a stronger emphasis on riskier market segments.

At **portfolio level**, there has been a lack of rationale behind the distribution of EU Blending support across countries and sectors. During the period under review, the programming of EU Blending support has followed a demand-driven approach, often strongly influenced by the opportunities identified by IFIs rather than by the partner countries or the EU. In recent years, a shift towards stronger steering by the EU seems to have taken place.

7.1.3 Conclusion 3: Results

C.3: While some blending interventions have led to achievements, many interventions have not delivered their expected results so far due to important obstacles faced during implementation; moreover, results may only partially align with EU policy priorities.

The conclusion is based mainly on EQs 4-6.

The evaluation highlights **achievements** in various areas, including: i) in all regions, a considerable number of MSMEs receiving support to make needed investments to strengthen their competitiveness and ensure alignment with EU and international standards; ii) contributions of most infrastructure investments and support to MSMEs to shared policy targets such as reduction in CO_2 emissions; iii) some technology transfer occurring in certain countries/sectors; and iv) response to a lack of public funding for infrastructure development in critical sectors (e.g. waste in *Jordan*; energy in the *Western Balkans*).

However, important delays faced during implementation (in all types of projects) mean that, there have been limited results to date when compared to the volume of EU support approved during the period (EUR 2.7 billion), let alone compared to the needs in the regions. In many cases, results observed so far have been too limited to ensure a **structural effect** on a specific sector or country.

More of concern, is that, despite some EU policy and political priorities (incl. on inclusiveness) being put forward in initial design documents, results reported by IFIs are very thin in this regard. There is limited evidence on the effects of the support in terms of achieving gender equality, responding to the needs of the most vulnerable and, in the case of MSME support, investing in the riskiest segments of the markets. Final beneficiaries are sometimes not well defined in the design documents suggesting that some interventions followed a broad-brush approach to respond to partner country needs. There is limited evidence that such an approach has worked so far. In the PSD sector, there has been a tendency of financial intermediaries to focus on their traditional clients.

In the PSD sector, there have also been some limitations due to the fact that some **financial packages** proposed by IFIs were not so successful given more attractive market conditions and the specificities of certain macro-economic contexts. While incentive grants (often financed with EU money) appear as a good approach to leverage some financial products, such a support requires very careful design to be effective and remain aligned with EU policy priorities.

The lack of **integration** of EU Blending support in broader EU country support, including the lack of linkages with **policy dialogue**, has also constituted an important impediment to achieving broader results (see Conclusion 1).

The achievement of the expected results, esp. in the Energy and Environment sector where the portfolio is characterised by large infrastructure projects, was hampered by considerable **obstacles during implementation.** In most cases, delays faced reflect both contextual factors (e.g. institutional stability in partner country, shocks related to country/regional/global crises) and insufficient effort devoted upstream to design interventions based on high-quality, in-depth feasibility studies and, especially in the context of WBIF, develop a solid project pipeline at country level. Risks related to capacity issues of national stakeholders and challenges related to procurement processes have also been largely underestimated. In some infrastructure projects, delays were associated with substantial increase in costs, which negatively impacted the funding available for the planned investments.

7.1.4 Conclusion 4: Monitoring, reporting and learning

C.4: Monitoring, reporting and evaluation mechanisms have been inadequate for implementation follow-up by the EU, the joint identification and implementation of corrective actions and accountability purposes.

The conclusion is based mainly on EQ 2.

Since 2015, the EU has dedicated **significant efforts** to improving the Monitoring and Evaluation (M&E) of its blending support. M&E requirements in financial agreements with IFIs have been clarified and tightened. The development of methodologies to assess specific dimensions of the support led to substantial changes in the EU blending guidelines in 2019. In more recent times, collaborative efforts involving various EC services and IFIs have led to the development of the EFSD+ results measurement framework, which provides coherent guidance for monitoring and assessing the results of EU Blending.

Despite continuous improvements, **M&E** of EU Blending has suffered from: i) weaknesses in the results framework used at the individual intervention level (e.g. weak coverage of the outcome level, indicators – incl. baseline/target values – not well defined); ii) inadequate content of reporting (e.g. lack of qualitative assessments on the actual or likely impact of implemented activities); and iii) a dearth of external independent assessments both during- and post-implementation. Furthermore, **regional interventions,** while enhancing coherence and promoting economies of scale, have introduced distinct additional challenges due to the additional layer of implementation they create.

Regular reporting by IFIs has taken place and some platforms for stakeholders to **jointly monitor progress** exist. However, their use for joint learning has been sub-optimal in most cases. In the NIP context, there have been issues with the frequency and quality of steering committee meetings at intervention level. In the WBIF context, while important efforts have been made to foster a collaborative approach to monitor implementation at intervention and portfolio level, challenges remain regarding measuring the aggregated effects of EU support on priority outcome areas and internalising the knowledge produced to enhance decision-making.

Overall, finding a way to reconcile the **different mandates and interests** of the stakeholders involved has proved challenging. The transfer of the ‘implementation responsibility’ of EU Blending support to IFIs, who rely on financial intermediaries/contractors for implementing specific activities, has made it difficult for the EU to exert influence over learning and accountability mechanisms. As mentioned in Conclusion 2, a shift towards stronger steering by the EU seems to have taken place in recent years.

As illustrated by the significant challenges faced by the evaluation team in developing a consolidated dataset with basic data covering the entire portfolio under review, the EU has insufficiently invested in **database management and portfolio monitoring** specific to its blending support. This has hampered both accountability and learning at EU portfolio level.

7.1.5 Conclusion 5: Stakeholder engagement

C.5: While there have been challenges with stakeholder engagement during implementation, EU Blending support has been instrumental in fostering collaboration at European level, between the EU and IFIs.

The conclusion is based mainly on EQ 1 and EQ 3.

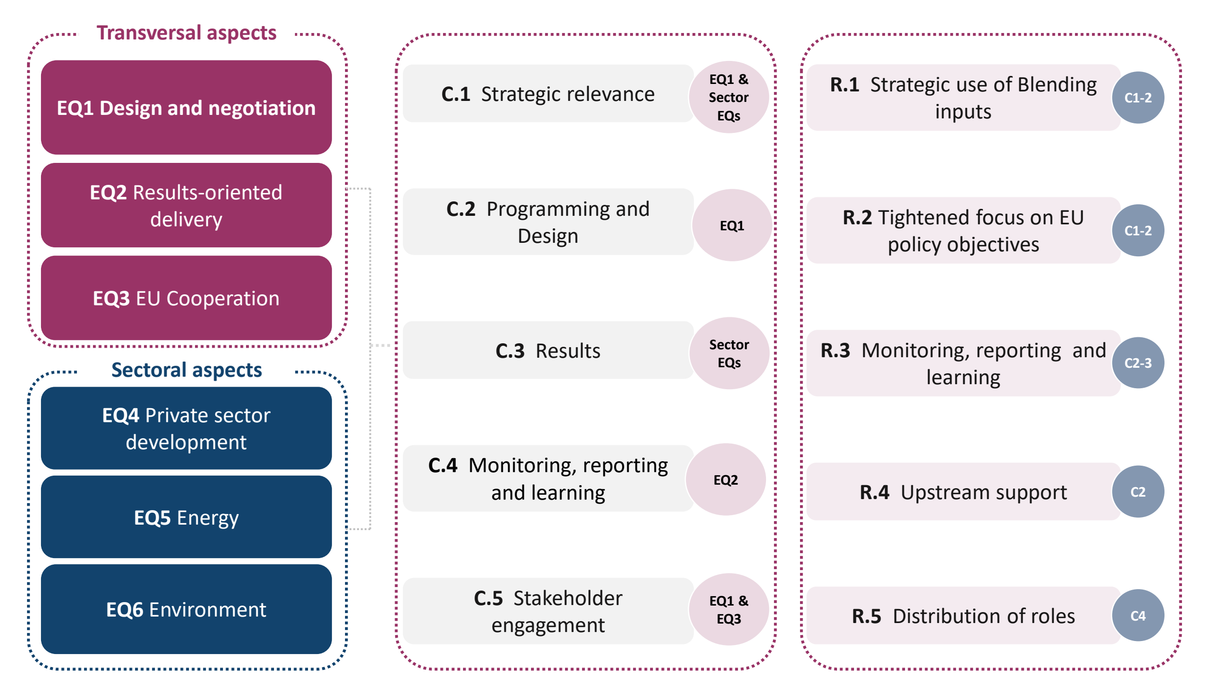
There has usually been good **coordination** between the EU and IFIs (both HQ and local level) during project design. Regional blending facilities have offered useful opportunities to exchange on both specific interventions and blending support in general. EU and IFIs have also established efficient mechanisms both for national and regional **coherence** and complementarity.

However, the evaluation has also identified significant **areas for enhancement**. Joint learning mechanisms have remained limited at intervention and blending facility levels, resulting in a less strategically oriented monitoring of the portfolio; this is particularly visible in the *Neighbourhood* context. Despite the pivotal role they should play in design and delivery of EU Blending support, the involvement of EUDs in implementation has remained suboptimal, particularly in the context of regional interventions. This stems from various factors encompassing: i) EU-level elements—such as capacity challenges within EUDs; and ii) IFI-level factors, including a centralised institutional environment and a stringent interpretation by IFIs of the distribution of responsibilities regarding the implementation of EU Blending support outlined in financial agreements. These factors further compounds – and, in some cases, partly explains – the situation regarding the lack of linkages between EU Blending interventions and other forms of support.

8 Recommendations

This section presents five recommendations, which emerged from the conclusions presented in the previous section. These recommendations address two areas: i) the strategic level of the cooperation programme and the EU support; and ii) aspects of implementation. Figure 2 shows the linkages between EQs (findings), conclusions and recommendations.

Figure 2 Linkages between EQs, conclusions and recommendations



Source: Particip GmbH.

8.1 Cluster 1: Strategic level

8.1.1 Recommendation 1: Strategic use of Blending inputs

R.1: Enhance the use of EU Blending inputs, better recognising the added value of the support	
The recommendation is linked to ***conclusions:*** *1, 2 and 3* *Main* ***implementation responsibility****: EU HQ and EUDs* *Main associated actors: IFIs, EU MS, national authorities of partner countries*	
What should be done?	**Implementing the recommendation**
Better recognise the added value of EU inputs (Priority: high)	• Make more explicit in the project documentation the role that EU support, including grants used for TA, is expected to play in the investment projects; in particular, the EU should ensure that the content of the sections of the application form related to additionality discusses the role of EU inputs relatively to the ones provided by the lead IFI and other co-financiers. • Monitor (at portfolio level) more systematically the role played by the EU inputs and ensure that partner IFIs assess this issue (during implementation and ex post) at intervention level (see also recommendation 3). • Conduct regular tests of 'additionality' (e.g. for a sub-set of the EU portfolio, checking two years after the launch of the project whether the assumptions on EU's contributions to the project presented in the application forms are holding) to use EU investments more strategically – i.e. where they play a determinant role in achieving financial and non-financial additionality. • Carry out econometric studies to quantitatively assess some of the (financial) effects of EU Blending support and better understand the additionality of the support provided.
Strengthen the use of TA (Priority: high)	• Identify more clearly the different types of inputs provided, esp. TA for business advisory services, TA for capacity building (e.g. of PFIs) and (policy) dialogue, TA for verification, TA for project management/coordination (incl. procurement); while this is done in some application forms, the distinction should be done more systematically and in

	a clearer way in both the application forms and in the EU portfolio monitoring tools. • Invest more in TA at early stage for enhanced project design (e.g. feasibility studies and due diligence, pipeline identification, making projects bankable); assess where this is not done sufficiently by partner IFIs, and use EU resources to finance such TA where strategically relevant and persisting gaps are identified. • Strengthen investment in building (and using) local know-how. • Embed TA for capacity building and dialogue in broader capacity building efforts supported by the EU at national level. • Develop EUD (incl. informal) linkages with ‘TA for capacity building and dialogue’ to foster synergies with other forms of support and enhance EU’s capacity to monitor and contribute to Blending support implementation. • Identify more systematically cases where the financing of the TA support as part of the blending support package can create challenges in terms of timing and integration in broader capacity building efforts, and finance the TA in parallel to the blending intervention (i.e. under a separate financial agreement) in these cases. • Monitor the integration of TA (and its effects) into interventions design and reporting through regular (e.g. annual) portfolio level analyses of: i) the reporting made on TA related indicators; and ii) the definition of TA related indicators (including their targets) in newly approved interventions. • *(See also Recommendation 4)*
Strengthen linkages with support to enabling environment (Priority: high)	• Sustain recent efforts aimed at applying a ‘policy first’ principle in EU programming under the new MFF, including by strengthening EUD engagement in the design of EU Blending interventions; if necessary, develop a clear process to foster EUD engagement at design stage adjusting the approach to the different types of blending interventions. • Ensure that explicit linkages with EU engagement in policy dialogue are established in the project documentation at design stage and during implementation (i.e. in application forms, progress reports, etc.). • Better exploiting the leverage conferred by blending to stimulate reform processes and influence sector outcomes, including by better linking blending to budget support where this modality is used by the EU. • Ensure EUDs active engagement in regional programmes (see recommendation 5). • (*mostly for NIP*) Strengthen the role of steering committees as a platform to exchange information and foster synergies with broader support provided by European actors (including non-blending interventions) – make this role explicit in financial agreements and enforce related provisions.
Clarify programming choices (Priority: medium)	• Make more explicit the rationale behind the importance (i.e. financial allocations) given to the different types of Blending support across countries/regions; this could be done in an internal note (‘mapping’) that would synthesise current allocations and outline tentative allocations for the remaining part of the MFF. • Make more explicit the rationale underpinning choices related to the size and type of EU contributions in each intervention; design a guidance to harmonise and strengthen the rationale used at design/approval stage; instead of trying to promote a one-size-fit-all approach, the guidance could present good practices regarding justifying the size and type of EU contributions in each type of intervention.
Better identify constraints and opportunities regarding financial leverage (Priority: medium)	• Investigate and develop approaches and incentives to encourage greater financial engagement of PFIs in Blending support interventions to increase the private sector leverage. • Build capacity of EU staff (incl. EUDs) to better identify constraints and opportunities regarding financial leverage of the different types of EU inputs, including by better understanding the incentives existing within banking institutions to adopt specific investment finance approaches. • Building on the new guidance and application form templates developed in 2023, continue strengthening the explanations on the methodologies (incl. assumptions) underpinning the calculation of the ratios, esp. for private sector finance and total investment ratios. • Continue measuring financial leverage during implementation (see also *Recommendation 3*).

8.1.2 Recommendation 2: Tightened focus on EU policy objectives

R.2: Tighten the focus of the design and implementation of EU Blending support on EU policy objectives, in line with the 'policy first' principle that underpins EU programming under the new MFF.	
*The recommendation is linked to **conclusions**: 1, 2 and 3* *Main **implementation responsibility**: EU HQ and EUDs* *Main associated actors: IFIs and technical staff supporting the Blending facilities*	
What should be done?	**Implementing the recommendation**
Clarify how individual interventions contribute to EU policy (incl. inclusiveness) objectives (Priority: high)	• In PSD interventions, clarify the approach to targeting of riskier segments/clients (recognising the tension with commercial considerations of the different stakeholders involved, incl. PFIs) and (*mostly for NIP*) make this approach more explicit in EU-IFI financial agreements. • Promote risk taking by IFIs and PFIs through: i) active dialogue supported by data (incl. data generated in the context of separate TA support); and ii) where relevant, the use of guarantees. • In Infrastructure interventions, make more explicit how the investment is likely to contribute to the population most in needs and identify more clearly potential obstacles to these outcomes. • Further develop the critical (ex-ante) assessments of contribution of EU Blending intervention to EU policy objectives in application forms/design documents. • Integrate more explicitly a Gender equality dimension in all new interventions designed. • Make the rationale underpinning the allocation of blending support allocations across countries/regions more explicit (*see Recommendation 1*). • Strengthen synergies between Blending support and other forms of support *(see also Recommendation 1)*.
Better assess (ex ante and ex post) how Blending support contributes to these objectives at the aggregate (e.g. country portfolio) level (Priority: medium)	• In future interventions, ensure more systematically that linkages are made with ongoing reforms supported by the EU at national level, and monitor these linkages annually. • Build on attempts in past EU support (e.g. EU4Business in the Neighbourhood) to develop approaches allowing to monitor results (e.g. job creation) at an aggregated (e.g. country) level. • Better monitor contributions to the EU policy objectives at portfolio level (*see Recommendation 3*). • Strengthen EUDs' involvement in ensuring active pipeline management based on EU priorities and EU-Government policy dialogue; ensure that responsibilities in this regard are not subject to individual interpretation and support the development of EUDs' capacity to do this more systematically.

8.2 Cluster 2: Implementation level

8.2.1 Recommendation 3: Monitoring, reporting and learning

R.3: Strengthen monitoring, reporting and learning at both intervention and portfolio level	
*The recommendation is linked to **conclusions**: 3 and 4* *Main **implementation responsibility**: EU HQ and IFIs* *Main associated actors: EUDs, Staff involvement in the managing of Blending facilities, EU MS*	
What should be done?	**Implementing the recommendation**
Strengthen results framework of specific interventions (Priority: medium)	• Build on the recent efforts put on refining the EFSD+ Results Monitoring Framework (ReMF) at global level, and ensure it is correctly operationalised and basic underlying principles are fully enforced in the design of new interventions. • Ensure that, especially for the support not related to large infrastructure projects, monitoring and reporting does not only rely on indicators that are achievable after project ends, in line with EFSD+ ReMF guidance in this regard. • Continue investing in HQ guidance on how to measure non-financial additionality, including effects on evidence on job creation. • Rely more systematically on baseline values (even if based on rough estimates).

	• Building on the recent ReMF guidelines, ensure that result indicators selected at individual intervention level allow to monitor all components of the intervention, including TA. • Systematically insert result indicators related to cross-cutting policy objective (e.g. Women-led SMEs reached by credit lines) paying attention to take into account the diversity of the beneficiaries within the target groups. • Monitor (e.g. annually) the application of EFSD+ ReMF guidance in newly approved interventions in relation to the above points (e.g. baseline values, TA related indicators, integration of cross-cutting objectives) with the view to continuously improve the application of this framework at intervention level.
Improve monitoring/ reporting mechanisms at intervention level (Priority: high)	• Building on efforts made since 2021, EC services should continue discussing with IFI ways to improve the content of reporting, if necessary, develop a standardised reporting template (as part of the Delegation Agreement) distinguishing between the different types of support. • Include mandatory sections on activities/achievements related to EU cross-cutting policy objectives in progress reports where relevant, including gender mainstreaming and disadvantaged groups (see R2). • For the support related to large infrastructure projects, use regular reporting to continuously monitor the main contextual factors that are likely to influence: i) the achievement of the intended socioeconomic effects on the beneficiary population; ii) the sustainability of the investment. • Complement more systematically the reporting of quantitative results with qualitative elements, including: i) contextualising achievements; ii) explaining on how results may contribute to the intended objectives; iii) reporting (qualitatively) on achievements related to cross-cutting dimensions related to e.g. gender equality, environmental aspects; iv) discussing limitations regarding data reliability. • Systematise cooperation between EUDs and IFI country/regional offices regarding monitoring (incl. joint visits). • Either enforce the inclusion of more explicit provisions on external (mid-term, final and ex-post) evaluations in EU-IFI financial agreements or/and expand independent EU-funded external assessments, with an emphasis on learning and identification of good practices. • Monitor the extent of the application of specific provisions (incl. provisions related to visibility) through ad hoc (e.g. annual) assessments covering groups of interventions (e.g. interventions in a specific sub-region and sector approved after a specific year) and share/discuss results in joint discussions with IFIs. • Ensure that the basic documentation (e.g. e-version of the final application form and signed financial agreement – including all annexes, full set of progress reports since project start) is adequately stored in EU internal databases and easily accessible.
Expand monitoring at portfolio level (Priority: medium)	• Invest in centralised mechanisms that ensure the development of coherent and comprehensive datasets covering the entire EU blending portfolio in DG NEAR regions, including amendments made to individual interventions and main milestones since their approval by EU blending facility's boards. • With the view to enhance both accountability and learning, develop a typology (e.g. distinguishing between types of TA inputs, types of equity contributions, focus of infrastructure projects) to better understand (and improve) the composition of the EU blending portfolio at country, regional and overall level and monitor its evolution. • Better harmonise results frameworks used in individual interventions, relying more systematically on standard typologies, to facilitate monitoring at portfolio level; revisit regularly (e.g. every two years) the ReMF and related guidance to facilitate these harmonisation efforts. • More rigorously monitor the portfolio through detailed inventories with basic information on each intervention, including: i) date of contract signature/latest amendment; ii) linkages with 'umbrella initiatives' and past interventions; and iii) more consistent tracking of sector and sub-sectors covered. • Building on the efforts made under the EU4Business programme, cluster some of the monitoring and technical support activities around thematic clusters. • Carry out more regularly (e.g. annually) short analysis of leverage ratios and financial additionality by type of interventions to: i) assess where high ratios reflect significant leverage effects achieved through the concessional finance provided; ii) better link the discussion of financial leverage and

<table>
<tr><td></td><td>additionality at portfolio level to specific sector/country context; iii) analyse how financial leverage evolved during implementation in a sample of interventions; and iv) where changes in context have occurred, assess whether assumptions made on financial leverage and additionality during design stage still hold. Share/discuss results of the analysis with relevant IFI to jointly identify lessons and inform future programming.
• Monitor the implementation of external (mid-term, final and ex-post) monitoring/evaluation exercises carried out at portfolio level, with the view to ensure appropriate coverage of the portfolio and regularity in the implementation of such exercises.</td></tr>
</table>

8.2.2 Recommendation 4: Upstream support

<table>
<tr><th colspan="2">R.4: Ensure faster onset of activities and stronger quality at entry by investing more in upstream support</th></tr>
<tr><td colspan="2">The recommendation is linked to conclusion: 3
Main implementation responsibility: EU HQ and EUDs
Main associated actors: IFIs</td></tr>
<tr><th>What should be done?</th><th>Implementing the recommendation</th></tr>
<tr><td>Finance more upstream technical support

(Priority: high)</td><td>• Invest more in preparatory studies to better assess policy/programming options, including better measure ex ante strategic aspects of the investment such as the potential for financial additionality.
• For PSD interventions, the EU and IFI should more systematically invest in studies analysing the potential offered by incentive grants in MSME lending within the specific market segment(s) and geographic context(s) being targeted; IFI-funded studies should be shared and discussed with the EU so as to develop a shared understanding of the opportunities, as well as the limitations, of such financial solutions, including the ability to strengthen alignment with EU policy priorities.
• Ensure that time between approval by the board and contracting at IFI level is used to build pipelines (e.g. in the context of private sector support interventions), sign MoUs, start dealing with contracting and procurement issues.
• (mostly for NIP) Where relevant, finance TA (e.g. TA for capacity building) separately (i.e. through a different financial agreements) from the support provided through the IFIs in order to not link the start of TA activities to the time needed for the deployment of the financial support.</td></tr>
<tr><td>Better calibrate ambitions at design stage

(Priority: medium)</td><td>• Better identify capacity constraints of main stakeholders involved (incl. public authorities, financial intermediaries).
• For Infrastructure projects, better assess capacity building needs and ensure sufficient resources are allocated to that from the start.
• While keeping some ambition in timeline and clear provisions on the most critical components of the investment project, introduce a high degree of flexibility early on to accommodate for potential changes in context.</td></tr>
</table>

8.2.3 Recommendation 5: Distribution of roles

<table>
<tr><th colspan="2">R.5: Better recognise the important role played by in-country based stakeholders (incl. EUDs and national/local authorities)</th></tr>
<tr><td colspan="2">The recommendation is linked to conclusion: 5
Main implementation responsibility: EU HQ
Main associated actors: EUDs, IFIs, national stakeholders, EU MS</td></tr>
<tr><th>What should be done?</th><th>Implementing the recommendation</th></tr>
<tr><td>Reinforce the role of EUDs

(Priority: high)</td><td>• EU guidance (blending guidelines, programming guidelines, etc.) should emphasise the potential of a pivotal role of EUDs in the implementation of EU Blending support, including through greater involvement of senior management to maximise portfolio leverage.
• Clarify and strengthen the role of EUDs in regional programmes ensuring that they are consulted during the design and kept informed during the implementation.
• Incentivise EUD senior staff (incl. Head of Cooperation/Operations) to steer the monitoring of EU Blending support and facilitate project implementation (e.g. by liaising with relevant national counterparts).
• Ensure that senior management uses the leverage conferred by the approval of new interventions to ensure that IFIs fully comply with</td></tr>
</table>

	requirements related to EUDs' involvement in the implementation of individual interventions. • Identify potential persisting human resources gaps (at EUD and HQ level) to design and implement EU blending support under EFSD+.
Clarify expectations regarding stakeholder engagement in implementation with all stakeholders (Priority: medium)	• Clarify with both EUD staff and IFIs that the transfer of responsibilities foreseen under delegated agreements doesn't exclude a strong engagement of EUDs in implementation; (*mostly for NIP*) strengthen the guidance on the drafting of delegated agreements to ensure that signed agreements foster the involvement and participation of EUDs in steering committees to enhance collaboration and transparency in project implementation. • Continue investment in awareness raising among IFIs and national partners on EU's policy priorities as well as on EU's specific expectations regarding: i) accountability/reporting; and ii) visibility/communication. • EUDs should actively participate in local dialogue fora relevant to EU blending support (where they exist) in order to encourage the participation of all stakeholders in EU blending support and inclusive decision-making processes. • EU and IFI (HQ staff) should monitor the frequency of steering committee meetings to ensure they offer a suitable platform for EUDs/local stakeholders to be involved in the implementation of Blending interventions (esp. where other effective dialogue mechanisms are not available). • Organise more systematically joint missions involving EUD senior staff, representative from IFI country/regional offices and partner country senior officials to enhance learning (see R3) and foster engagement in policy dialogue. • Capitalise on the Team Europe initiatives promoted under the EFSD+ to foster joint learning at European level and create a conducive environment for the joint identification of future opportunities of collaboration.
Enhance engagement of national partners (Priority: medium)	• Seek early in the process political backing through engagement of high-level decision makers (not only main line ministries). • Design regional interventions in a way that they can respond to the institutional dynamics of each country involved. • EU and IFIs should establish more systematically country platforms or dialogue mechanisms on development finance covering investment projects supported through blending and guarantees (with the participations of EUDs, IFIs, different levels of government, relevant CSOs, etc.) in order to strengthen the engagement of all stakeholders in the implementation of EU blending support (among other forms of support) and foster joint learning.

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The European Commission Directorate General for Neighbourhood and Enlargement Negotiations – NEAR

NEAR Mission

The mission of DG NEAR is to take forwards the EU's neighbourhood and enlargement policies, as well as coordinating relations with EEA-EFTA countries insofar as Commission policies are concerned. DG NEAR works closely with the European External Action Service and the line DGs in charge of thematic priorities. By implementing assistance actions in Europe's eastern and southern neighbourhood, DG NEAR supports reform and democratic consolidation, and strengthens the prosperity, stability and security around Europe. DG NEAR helps to promote EU values, policies and interests in this region, and to contribute to developing the special relationship of the EU with its neighbouring countries

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