

## Indicators to measure the results of EIB operations must differ inside and outside EU

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This briefing presents concern regarding the proposal to formalise one set of result measurement indicators for operations inside and outside Europe. The EIB has worked now since 2012 on a framework for assessing and measuring development results for operations outside the EU called the Results Measurement Framework (REM). After its 2012 capital increase, the EIB began a revision of the Value-Added (VA) assessment of the bank's operations within the EU and Pre-Accession countries. As a result, the Three Pillar Outcomes Assessment (3PA) was implemented in 2013. The EIB has announced its intentions to unify the different frameworks into one set of indicators under the 3PA. Bankwatch does not believe such an approach will enable the EIB to meet its objectives for operations outside the EU.

### Contradictory priorities at the bank

As the financial arm of the EU and bound by its policies, the EIB naturally has different objectives inside and outside the bloc. Were one framework of indicators for all operations in respect of all EU policies to be adopted, it would necessarily be broad and indicators would have to be tailored to a particular sector, region, or policy. Why then merge the two frameworks? For instance investments aimed at incorporating the private sector of the Global South into world or regional markets is counterproductive to the objective of building a competitive European market. The same reflection should be used for the result measuring methodologies. Different EU policies, different indicators to measure success

In the case of energy sector investments outside Europe, the current outcome indicators under REM include measures like access to electrification or service reliability, in addition to more standard ones like the amount of gigawatts per year. In line with objectives of the External Lending Mandate, the REM should also measure how investments contribute to climate change mitigation and adaptation and to local (and national) private sector development. A variety of other possible indicators exist: for example, how an investment relates to the increase of a country's tax revenues is an indication of whether tax evasion will decrease as a result of EIB support for a project. It is also important to evaluate whether an investment fulfills the relevant EU external policy objectives outlined in country or regional strategy papers, indicative programmes and the like.

At the same time, energy sector investments in Europe are the subject to different result measurement indicators. Such indicators consider innovation, contributions to economic growth, impacts on employment and technology, their contribution to EU climate policy and so on. Gathering these indicators therefore into one set would be meaningless in some cases.

### Special role of the REM

The REM is a framework that focuses on monitoring the results of the EIB's operations in countries outside the EU to ensure their consistency with EU external policy objectives, and the relevant indicators of the Paris Declaration of Aid Effectiveness. By measuring the results and impacts of activities financed in partner countries, contributing to the harmonising of reporting requirements and emphasising the consistency of projects with national development strategies of partner countries, the REM draws on the relevant indicators stipulated in the Paris Declaration and as such, contributes to the objectives of the aid effectiveness agenda. The EIB underlined the importance of the REM as a separate framework needed for "special purposes". How does it comply with current changes in the approach of the bank?

CEE Bankwatch Network's mission is to prevent environmentally and socially harmful impacts of international development finance, and to promote alternative solutions and public participation.

## EIB as the development bank of the EU

It is crucial to understand the EIB will measure the impact of its investments outside Europe in light of the Memorandum of Understanding on the External Lending Mandate signed between the EIB and European Commission in September 2013 . The MoU is clear that “policy dialogue as well as coordination in strategic planning between the EIB and the European External Action Services should be reinforced to maximise synergies of EIB financing and EU budget based instruments (IPA, ENPI, DCI) in order to make EU performance within development cooperation coherent and more effective”. This implies that the framework for the assessment of the impacts of EIB operations must be specific and development-led. The key to developing an effective methodology for measuring the results of EIB operations is to properly understand towards what end its investments should lead. Despite visible antipathy of the EIB to call itself development bank, the External Mandate given by the Commission necessitates that the EIB ‘do development’. Its operations outside Europe must therefore be coherent with EU development policy, and its success in this regard cannot be measured with indicators used for European projects. REM has the potential to lead the EIB towards responsible development lending, and this potential should not be abandoned.

## Recommendations

We conclude that joining the REM and VA methodologies would be problematic and might even undermine the impacts of the bank’s lending if not properly measured. Bankwatch proposes the following recommendations:

- The EIB should not merge the frameworks on assessing and measuring results for operations outside and inside the EU; first, formalising one set of the indicators measure the results will weaken the approach as a whole, and unsuitable indicators can worsen the potential of a project; second, just as the EU has separate policies serving different goals, the EIB as a financial mechanism should have separate measurements of the impacts of its lending; third, the framework for assessing the impact of EIB operations outside the EU must be development-led, while this is not necessarily a suitable measure for the operations inside the EU;
- The EIB should work further on the REM as a separate, development-led methodology for assessing the bank’s impact on developing countries covered by the External Lending Mandate. The REM should enable the bank to evaluate its contribution to the EU development agenda;