

DIRECTORATE-GENERAL FOR INTERNAL POLICIES

**POLICY DEPARTMENT** **D**  
BUDGETARY AFFAIRS

Budgets

Budgetary Control



# The implications of EIB and EBRD co-financing for the EU budget Follow - up

STUDY





**DIRECTORATE GENERAL FOR INTERNAL POLICIES**  
**POLICY DEPARTMENT D: BUDGETARY AFFAIRS**

# **The implications of EIB and EBRD co-financing for the EU budget**

## **Follow-up**

### **STUDY**

#### **Abstract**

This study is a follow up to the 2011 study commissioned by the European Parliament's Committee on Budgets "The implications of EIB and EBRD co-financing for the EU budget". It explores how the recommendations made in that earlier study have been taken up by the actors within the EU institutions, evaluates how far changes have been implemented which are in line with the proposals contained within that report and reflects on how visible EP studies are in general. It finds that although visibility needs to be improved, this study has had a clear policy impact nevertheless.

12/03/2013

This study is a follow up to the 2011 study commissioned by the European Parliament's Committee on Budgets "The implications of EIB and EBRD co-financing for the EU budget", which is available on the internet at: <http://www.europarl.europa.eu/studies>

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## LIST OF ABBREVIATIONS

- EBRD** European Bank for Reconstruction and Development
- ECA** European Court of Auditors
- EIB** European Investment Bank
- EP** European Parliament
- EU** European Union
- LGTT** Loan Guarantee Instrument for TENs Transport
- MEP** Member of the European Parliament
- RSFF** Risk Sharing Finance Facility
- SME** Small and Medium-Sized Enterprise
- SMEG** Small and Medium-Sized Enterprise Guarantee Facility
- TENs** Trans-European Networks

## 1. INTRODUCTION AND OVERVIEW

In November 2010, the European Parliament's Committee on Budgets commissioned a study, 'The implications of EIB and EBRD co-financing for the EU budget'. This report is designed to offer a follow up to that earlier study, addressing three key issues – exploring how the recommendations made in that earlier study have been taken up by the actors within the EU institutions; evaluating how far changes have been implemented which are in line with the proposals contained within that report, and reflecting on how visible EP studies are in general.

### 1.1. PREVIOUS STUDY

The EP study, 'The implications of EIB and EBRD co-financing for the EU budget' reached 10 key conclusions and made 3 key recommendations, with reference to budgetary liability and management, governance and accountability, budgetary control, transparency and visibility (p. 75-8). The key issues raised were:

1. Financial and Budgetary Liability – The key finding was that co-financing poses little if any risks to the EU budget, with all of the instruments (including the Guarantee Fund for the External Mandate) appropriately provisioned [Conclusions 1-3].
2. Governance and Accountability – Whilst the EP maintains high levels of formal (Treaty-based control), co-financing does pose challenges in terms of the arms-length nature of that control given the involvement of financial intermediaries [Conclusion 4]. Our recommendation was for further research to establish the practical implications of this [Recommendation 1].
3. Effective Policy Delivery – The report concluded that on balance co-financing has delivered some impressive policy outcomes in areas such as research and development, innovation and competitiveness but that there was considerable variation in the capacity of the 'new' member states and the SME sectors to benefit from these instruments, leading to concerns that, at present, co-financing may be best suited to those markets which are relatively developed [Conclusion 5 and 6].
4. Transparency – The report concluded that co-financing poses some problems for the EU in terms of transparency but that such problems can be ameliorated with more effective auditing [Conclusion 7]. The central recommendation was to enhance the auditing capacity of the European Court of Auditors to review not only the EU contribution to a co-financed instrument but the whole of the contribution including that made by the EIB and/or EBRD [Recommendation 2]. We also recommended a more stringent form of EP/EU evaluation centred on asking 'difficult questions' of those instruments which may at first glance seem to have delivered sub-optimal outcomes, rather than continuing with the existing pattern of audit which seems to be focused on EU 'success stories' [Recommendation 3].
5. Visibility – We concluded that co-financing poses particularly acute problems in terms of visibility, here understood as the extent to which the recipient is aware of the EU's role. In spite of a number of initiatives designed to enhance EU visibility, the existing evaluations of all of these schemes point to a pattern of low stakeholder and beneficiary awareness across the board [Conclusion 8].
6. Political and Financial Balance – A key question addressed in the report was whether there is a trade-off between political and financial considerations in relation to co-financing and how to best evaluate it. We argued that if you sign up to the use of co-financing instruments you implicitly embrace some trade-offs between the benefits of such instruments, which are primarily economic and financial, and the problems, which primarily relate to issues of governance, transparency and visibility. Our suggestion was for further deliberation within the EP as to the appropriate balance based on political judgement.

## 1.2. QUESTIONS AND METHOD

This report addresses two key questions:

a) Conclusions/Actions – Questions addressed here reflect on the following:

- What actions have been undertaken by policy practitioners in response to this report, and how influenced were they by its findings?
- What have been the specific consequences of the report and how have the conclusions been responded to?
- What is the latest ‘state of play’ in relation to co-financing?

Follow-up interviews with key actors who engaged in the original report were conducted in order to answer the above. From this, analysis was conducted as to the impact of the report in terms of its conclusions and recommendations.

b) Visibility:

- How visible is the EP’s report, ‘The implications of EIB and EBRD co-financing for the EU budget’?
- How visible is the issue of co-financing more generally?
- How visible, generally, are EP studies within the policy community?

Follow up interviews were conducted with key participants interviewed in that report to see how many of them were aware of the findings of the report. From this, analysis was also conducted of how visible, generally, the EP’s studies are within the policy community.

## 2. THE IMPLICATIONS OF EIB AND EBRD CO-FINANCING FOR THE EU BUDGET - IMPACT (OVERVIEW)

Before setting out the specific impact of the above study, this section provides important contextual information:

- Fieldwork interviews were undertaken with a total of 24 individuals from the European Parliament, European Commission, EBRD and European Court of Auditors.
- Audience. The audience of those who had independently read the initial study included officials from the European Parliament, DG ECFIN, the European Court of Auditors, DG DEVCO, the European Investment Bank and European Bank for Reconstruction and Development. Staff contacted from DG ENER, DG RTD, DG ENTR, DG REGIO, DG ELARG and other staff from the European Court of Auditors had not read the study. Those latter staff, however, did invariably engage with the study in preparation for the fieldwork interviews.
- Findings. In general, those who had read the study found it to be ‘extremely timely’, ‘very clearly written’ and emphasised that it made a valuable contribution to the debate about co-financing.
- Conclusions. The conclusions were frequently described as ‘extremely sound’ with interviewees arguing that they captured the tensions between political questions and questions centred on financial liability and control ‘extremely well’.

- **Policy Impact.** The research reveals that the study had important policy impacts in five key areas: affirming that financial instruments posed no direct risks to the EU budget; enhancing the visibility of the EBRD; enhancing policy debate within the EP and associated policy community; implications in terms of audit, and impacts in relation to the EIB. These are discussed in detail in section 3.
- **Debate on blending.** The study was published in a policy context in which there was ‘a lot going on in relation to blending’ at the time. Interviewees emphasised that the study was very valuable in helping to shape the questions which should be asked of blending in general and that it was important in legitimating further inquiry from within the European Parliament itself. This theme is explored in greater detail below (section 3.3).
- **Awareness.** A frequent comment from interviewees was that the study was very important in raising awareness of the issues among MEPs. Several MEPs have subsequently produced reports into financial instruments and the study was seen as highly valuable in contributing to their work. Given the specific levels of expertise of the other interviewees contacted, such effects were (perhaps) predictably less pronounced outside the EP.

### 3. SPECIFIC / KEY FINDINGS

The study as a whole generated impact and engagement in five key ways: financial instruments and budgetary liability; EBRD visibility; knowledge within the EP and policy community; enhanced audit; the impact on the EIB. These are detailed below.

#### 3.1. THE DEVELOPMENT OF FINANCIAL INSTRUMENTS POSES NO DIRECT RISKS TO THE BUDGET IN TERMS OF FINANCIAL LIABILITY

As we argued in the original report:

"there are in fact few, if any, concerns in a formal sense in terms of budgetary liability. All of the co-financed instruments involve allocations to programmes which are capped in size and so none of these instruments pose a risk to the budget beyond that which is initially committed. Even in those cases in which the financial instrument involves a form of guarantee (e.g. the SMEG guarantee fund or the LGTT guarantee fund) there remains no liability beyond that which was originally committed during the design of the instruments (p.75. See also pp.48-51 and pp.63-74 of the original study)."

#### **Impact:**

- Confidence in the instruments was enhanced.
- Third party corroboration of the Commission position was extremely valuable.
- Corroboration helped to legitimise co-financing and accelerate the uptake of the process.

**Commentary:** Overall, the view recorded from the interviewees was that it was extremely valuable to have the engagement of external researchers to investigate co-financing. The very fact that they were external to the EU political process meant that they had no political stake in the process, nor did they have any predisposed position on the issue. Furthermore, the fact that the report was so unequivocal in its findings – namely that co-financing posed no direct risks to the EU budget – was extremely valuable in providing assurance that the instruments would not result in widespread exposure or risks to budgetary liability. The results of this were felt in enhanced confidence in co-financing going forward which served to help to legitimate the development of further co-financing and was valuable

in accelerating the process. As one of the interviewees put it, had you found the opposite 'it would have been extremely damaging to the development of co-financing'.

### 3.2. VISIBILITY OF THE EBRD

A key finding of the original study was that there was widespread confusion as to the relative roles of the various banks and in particular of the EBRD. A principal suggestion was that the EBRD could/should do more to enhance its own visibility and, in particular, that the EBRD should consider the creation of a 'permanent Brussels-based office specifically designed to increase its own visibility' (p.59).

#### Impact:

- EBRD announced creation of new Brussels-based 'Head of External Policy Coordination/EBRD Representative for EU Affairs' at meeting of the EP's Committee on Budgets at which the original study was presented (May 2011).
- EP officials acknowledged that in relative terms the EBRD had a much more 'visible presence' and that this was a 'significant development'.
- In specific terms, the EBRD is now in the process of creating a permanent office in Brussels.
- The EBRD now also has staff seconded to DG DEVCO, which is a new development. This is reflective of stronger links between DG DEVCO and the EBRD.
- There has been a growth of official visits between members of the European Parliament to the EBRD offices so enhancing knowledge and visibility.
- The enhanced status and visibility of the EBRD is also seen in an expanded policy role. For example, the EBRD has a formal role (along with a large number of other International Financial Institutions, including the EIB) in the technical group for the 'Review of the Existing Blending Mechanisms' within the 'EU Platform for Blending in External Cooperation'. The first meeting of this Technical Group was held on 7 February, 2013.
- **However**, there is one caveat to the above findings. In relation to those with programmes which had historically evolved with strong EBRD input (e.g. Western Balkans Investment Framework), the presence of a formal Brussels-based representative was not seen as significant. Here, programmes had evolved on a 'project by project' basis with interactions occurring directly between EU officials and staff in the EBRD's central office in London. Thus, visibility of the EBRD in such examples was already high prior to the creation of the Brussels Representative.

**Commentary:** Overall, the recommendation in the study for the EBRD to enhance its visibility within Brussels through the creation of a formal structure of Brussels-based representation is seen as universally beneficial. The vast majority of interviewees viewed this as a very important change which enhanced their awareness of the particular expertise of the EBRD and had important policy implications in terms of operationalising their links to the EBRD. Cumulatively, this has helped in gaining a greater understanding of the roles that the different banks could/should play in the provision of co-financing.

### 3.3. THAT THE EP/POLICY MAKERS NEED TO BECOME MORE INFORMED, SO INCREASING VISIBILITY

Whilst acknowledging that visibility was a problem due to the complex nature of financial instruments, the original study also emphasised that policy makers needed to do more to inform themselves about co-financing. As we argued:

"The other possible implication of the 'poor visibility' of the banks, as expressed by a number of respondents across the Banks and Commission, was that this issue reflected less on the banks' provision of information and publicity and more on the need for the European Parliament, in particular, to do more to inform itself: the problem of visibility was more illusory than real. A number of respondents felt that the information was in fact available but that EU policy makers were simply 'not looking for it!' leading to considerable variation in the knowledge of parliamentarians in particular. This is not a trivial problem: there was concern that this was leading to some inappropriate and impulsive suggestions in terms of the policy debate on co-financing, with a lack of understanding of areas of crucial importance (p.60)."

#### Impact:

- MEPs' reports. Within the EP, visibility of co-financing has been enhanced by a series of reports which have been undertaken by MEPs (for example two by Ivailo Kalfin (February 2011<sup>1</sup>; October 2011<sup>2</sup>), one by Salvador Garriga Polledo (May 2011)<sup>3</sup>, that by Eider Gardiazábal Rubial (September 2012)<sup>4</sup>, and one by Reimer Böge and Ivailo Kalfin (October 2012<sup>5</sup>). The original study was seen as providing very valuable contextual information for those compiling these reports.
- EU budget committee studies. Visibility has also been enhanced by a series of four follow-on studies commissioned by the EP's Committee on Budgets<sup>6</sup>. Interviewees acknowledged that the follow-on studies were prompted by a recommendation in the original study for further research in order to deepen understanding of co-financing (i.e. legitimating the need for those follow-on studies). The original study also helped to shape the questions asked within those follow-on studies (i.e. framing the content of the follow-on studies);

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<sup>1</sup> REPORT - Plenary sitting on the proposal for a decision of the European Parliament and of the Council granting an EU guarantee to the European Investment Bank against losses under loans and guarantees for projects outside the European Union (COM(2010)0174 – C7-0110/2010 – 2010/0101(COD)). Committee on Budgets. Rapporteur: Ivailo Kalfin

<sup>2</sup> RECOMMENDATION FOR SECOND READING on the Council position at first reading with a view to the adoption of a decision of the European Parliament and of the Council granting an EU guarantee to the European Investment Bank against losses under loans and loan guarantees for projects outside the Union and repealing Decision No 633/2009/EC (12443/1/2011 – C7-0270/2011 – 2010/0101(COD)). Committee on Budgets. Rapporteur: Ivailo Kalfin

<sup>3</sup> REPORT - Plenary sitting on Investing in the future: a new Multiannual Financial Framework (MFF) for a competitive, sustainable and inclusive Europe (2010/2211(INI)). Special committee on the policy challenges and budgetary resources for a sustainable European Union after 2013. Rapporteur: Salvador Garriga Polledo

<sup>4</sup> REPORT - Plenary sitting on innovative financial instruments in the context of the next Multiannual Financial Framework (2012/2027(INI)). Committee on Budgets. Rapporteur: Eider Gardiazábal Rubial

<sup>5</sup> INTERIM REPORT - Plenary sitting in the interests of achieving a positive outcome of the Multiannual Financial Framework 2014-2020 approval procedure (COM(2011)0398 – COM(2012)0388 – 2011/0177(APP)). Committee on Budgets. Co-rapporteurs: Reimer Böge, Ivailo Kalfin

<sup>6</sup> (1) The liability of the EU budget concerning the European Financial Stabilisation Mechanism and the European Stability Mechanism and interference on budget control by the European Parliament; (2) Overview of Financial Instruments Used in the EU Multiannual Financial Framework Period 2007-2013 and the Commission's Proposals for 2014-2020; (3) The implications for the EU and national budgets of the use of innovative financial instruments for the financing of EU policies and objectives; (4) The implications for the EU and national budgets of the use of EU instruments for macro-financial stability.

- Need for ex-post evaluation. A key recommendation in the original study was for an enhanced form of evaluation so enhancing the visibility of co-financing (see 3.4 (discussion of audit below)). In response to that call, the EP's Committee on Budgets requested the compilation of this follow-on report which is itself designed to inform the debate on policy effectiveness and enhance the visibility of co-financing more generally. This report is the first systematic ex-post evaluation of the EP committee's study programme.
- Visibility has also been enhanced by some key studies undertaken by the European Commission, for example its framework on the equity and debt platforms<sup>7</sup>.
- European Court of Auditors ex-post evaluations. There has been a significant growth in ECA audits of financial instruments. Specific comments on the implications for audit stemming from the ECA studies are covered below (section 3.4).
- **However**, visibility and awareness are still piecemeal. Co-financing is a complex issue and it would be wrong to give the impression that visibility and understanding are universally high. MEPs are extremely busy and for many of them the intricacies of co-financing are outside their remit. Even those who are centrally concerned with the EU's budget still have variable levels of knowledge – co-financing is still seen as a relatively small-scale issue with awareness confined to those with expert/specialist knowledge. Grants, in contrast, are much more visible and easier to understand.
- **However**, it remains the case that a number of instruments are effectively invisible. One important issue raised by a number of interviewees was that some of the smaller instruments, run by less high profile DGs, may be largely invisible in the face of similar instruments which are run by more high-profile DGs. The concern was that visibility may be a product of the relative size of the 'parent DG' with administrative control over the instrument rather than a product of the effectiveness of the instrument. This could prove to be highly significant in a climate in which the EU budget is faced with making real-term cuts.

**Commentary:** Since the publication of the original study, there has been significant growth of interest in co-financing. The policies generally have greater visibility and there are an increasing number of MEPs with higher level understanding of the issues. Overall, while information can be somewhat piecemeal it is clearly improving (see also section 3.4 on audit – below) not least helped by the high-level engagement by a number of MEPs, the EP's Committees and the Commission. Nevertheless, the concerns that visibility of specific instruments may be a product of the 'importance' of the relative DG rather than a product of the 'effectiveness' of that instrument is a very real issue which Members should be guided by.

### **3.4. THAT THERE IS A NEED FOR A MORE ROBUST FORM OF AUDIT SO ENHANCING TRANSPARENCY AND ASSUAGING CONCERNS IN RELATION TO BUDGETARY CONTROL**

The original study made two particular recommendations with regard to concerns in relation to transparency which were seen as very real and legitimate:

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<sup>7</sup> COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL - A framework for the next generation of innovative financial instruments - the EU equity and debt platforms (Brussels, 19.10.2011, COM(2011) 662 final).

"First, we would strongly encourage a robust form of audit by the European Court of Auditors on the basis of an expanded mandate to review not only the EU contribution to a co-financed instrument but the whole of the contribution including that made by the EIB and/or EBRD. Without this, audit becomes only partially effective. Second, we suggest that a desire for transparency must lead to a very different type of evaluation which places a premium on asking difficult questions of instruments which may at first glance seem to have delivered sub-optimal outcomes, rather than continuing with the existing pattern of audit which seems to be focused on EU 'success stories' (p.77. See also pp. 57-8)."

**Impact:**

- European Court of Auditors Special Reports. Since the publication of the original study, the ECA has published two significant reports that have offered detailed evaluations of financial instruments<sup>8</sup>. The ECA is also presently finalising an evaluation of the RSFF which is due for publication within the next 6-9 months. These studies certainly qualify in offering a robust form of audit, finding a number of severe problems. For example, Special Report 2/2012 on financial instruments targeted at SMEs run by DG REGIO found:
  - That the division by DGREGIO of the EU into so many regions presents operational problems for the implementation of financial instruments;
  - That particular problems are presented for audit given that the member states hold much of the key documentation;
  - That the Commission needs to undertake ex-ante assessments specific to financial instruments so demonstrating the need for them.
  - That the concept of leverage was ill-defined and inconsistently understood.
- Growth of ECA audit of financial instruments more generally. Staff from within the ECA report that there has been a change of auditing practice since the publication of the original study with the ECA now routinely auditing a sample of Financial Instruments as part of the compilation of its Annual Report.
- **However**, there were concerns expressed that audit may be 'getting out of hand'. While the growth of robust audit is to be welcomed, so reflecting the conclusions of the original study, there were some misgivings offered by interviewees in this area:
  - Excessive audit. Interviewees reported occurrences in which the same instruments were being audited 'seven times in two years', with internal audits, external auditors for the accounts, a European Court of Auditors audit, Commission audit, ex-post evaluation, DG ECFIN engagement, and an evaluation by an external research team. There was a sense that a desire to secure transparency was resulting in 'audit overload'.
  - Too much audit could reduce the market dynamism of financial instruments. Related to the above, interviewees expressed concerns that if financial instruments were subjected to 'excessively stringent regulatory controls' the effect would be to reduce the attractiveness of these instruments and reduce their capacity to deliver. For private investors, the rates of return would be reduced to such an extent that it would 'not be worth it' to engage with financial instruments.

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<sup>8</sup> See Special Report 4/2011, 'Audit of the SME Guarantee Facility' and Special Report 2/2012 'Financial Instruments for SMEs co-financed by the European Regional Development Fund'.

- The 'New Financial Regulation'. Interviewees expressed concerns that the desire for transparency had been effectively written into the new regulation so raising substantive operational issues but also raising concerns that the regulation was overly restrictive.
- Legacy of audits of DG REGIO. A number of interviewees also raised concerns that the recent audits of financial instruments as implemented within the member states through DG REGIO had raised serious issues. The real concern was that such audits may have coloured the impression of financial instruments as a whole, given the scale and size of REGIO's activity – it was described by one interviewee as 'an elephant' which was in danger of crushing the 'successful mice'. Overall, therefore, the concern was that a focus on problems which 'were particular to DGREGIO' would be 'amplified' and would serve to 'provide an overly negative view of financial instruments as a whole'.

**Commentary:** The growth of a robust form of audit is to be welcomed – it marks a step change in culture and the concern which we previously articulated about an absence of critically engaged discussion of financial instruments has been addressed. But much of the recent audit has been critical (weaknesses) rather than critically engaged (strengths and weaknesses) and this raises problems of its own for the EP. Thus it remains the case that more research needs to be done to address the specific question: what is the right balance between effective audit and the need for political/financial effectiveness within financial instruments?

### 3.5. ISSUES SPECIFICALLY RELATED TO THE EIB

The original study raised specific issues in relation to the risk appetite of the EIB (conclusion 7, p. 77), identified both similarities and differences between the EIB and EBRD (p.29-36) and discussed the extent to which working with the EIB could advance the delivery of the policy objectives of the EU. The findings that are offered below are tentative and offered on the basis of analysis based on the previous study and on the basis of interviewee feedback given by those who engage with the EIB but do not work within it.

- The vast majority of interviewees reported enjoying a very strong institutional relationship with the EIB – cooperation was high, collaboration was strong, openness was improving and they were seen as a very effective policy partner which was extremely adept at mobilising large scale finance for important EU strategic initiatives.
- Triple 'A' credit rating. However, there was also an acknowledgement raised by multiple interviewees that a key concern of the EIB was the protection of its 'AAA' credit rating. Interviewees expressed the view that pressure to increase the risk appetite of the EIB by reducing the scope and scale of the guarantee (for example) or subjecting the Bank to a more critical form of audit/scrutiny is seen by the EIB as potentially exposing that rating to downward pressure. However, interviewees were also of the view that the concerns expressed by the EIB were disproportionate and that as a 'public policy driven bank' there was a need for an opening up of bank culture so that the EIB felt 'less threatened' by engaging with outside actors.

- The risk appetite of the EIB. This is an issue which was specifically raised by a number of interviewees and would warrant further research. In particular, there were concerns expressed that in some cases guarantees could be over provisioned. In particular, the question was posed on several occasions as to whether more could be done (in particular in areas outside the EU) if the guarantee were spread more thinly? To take one example, it was suggested that the EIB may not need a guarantee to underpin lending activity in South Africa and that if lending were undertaken there at the EIB's own risk this could then enable lending (with a guarantee) in 'riskier countries' in Africa.

## 4. THE VISIBILITY OF EP STUDIES IN GENERAL

The following offers a brief summary of the findings in relation to the visibility of EP Studies as a whole and offers some initial suggestions as to how such visibility could be improved.

### 4.1. FINDINGS

In sum,

- Visibility of EP Studies is low;
- Access to studies is piecemeal;
- Most of those who do read the studies read just the Executive Summary or the Conclusions, with the study as a whole seen as the appendix!

**Commentary:** On the surface, such findings are perhaps unsurprising but also disappointing. However, one interviewee raised an interesting point which is worthy of reflection: if the studies themselves are actually produced to inform the MEPs then does it matter if the visibility and exposure of the studies is low outside the Parliament? This raises a related question – should the studies aim to engage the wider policy community outside the Parliament?

It is my own view that, YES, the studies should aim to engage with a wider policy community for several reasons:

- Informing of EP priorities. Interviewees argued that a key function of the studies was to inform those outside the EP of what the key interests of the Parliament were, with a number of interviewees suggesting that a focus on the studies would help them to discern this.
- Impact. It is clear from the detailed discussion of the impact of the earlier study on co-financing offered above that the studies do result in very real impacts. These impacts are clearly to be welcomed but also suggest that with wider exposure that they could be more consistently consolidated.
- The studies as a whole involve the spending of significant sums of public money and given that the discussion above demonstrates that they have significant impact this can legitimately be seen as a positive use of public money.

Overall, the studies have a very real capacity to shape debate, impact on policy, and inform practitioners. This is to be celebrated and with more strategic reflection could be more consistently exploited.

## 4.2. SUGGESTIONS

The following are a few simple and practical steps that would enhance the visibility of studies:

- Announce/list the studies in 'The Parliament' magazine (or equivalent)<sup>9</sup>. The Parliament magazine is a glossy fortnightly news magazine which reports on key happenings in the EP. One interviewee suggested that if a list of the studies were produced towards the back of this magazine that it would prove to be a useful repository for policy makers.
- The European Court of Auditors Journal. The ECA produces a monthly newsletter which includes interviews with the authors of their key special reports. The Journal enjoys a high profile on the ECA website and provides a accessible form of exposure to the content of the Special Reports. The EP does not appear to have an equivalent source of accessible information – it may be worth exploring this.
- Circulation to appropriate staff. One interviewee suggested that if the studies were sent to Commission DG Heads of Section that they would be able to act as gate-keepers to ensure that they ended up on the desks of the appropriate staff. The knowledge of Heads of Section of their own DGs would be important in identifying key personnel who would benefit from the studies.
- Distribute the studies in hard copy rather than by email. All interviewees were of the view that if the EP was interested in distributing the studies more widely, they were more likely to be engaged with if sent in printed form rather than by email. Email was seen as overwhelming and the studies would be 'lost in the traffic' if sent electronically.

## 5. CONCLUSIONS AND SUGGESTIONS FOR DISCUSSION

In sum the following conclusions can be offered:

### **In general,**

- The EP's Studies are of high value to key members of the policy community but only if they are well written. Some studies, however, were seen as very academic which is not welcome. Thus it would be worth the EP's time to undertake periodic ex-post evaluation of the studies themselves which would help to identify effective study authors who could then be used again.
- Overall, the findings of the studies do resonate beyond the EP. In particular, the study findings serve to legitimate policy action, inform policy makers of the EP's interests, build the confidence of MEPs in complex policy problems and raise key questions and suggest ways forward.

But more than that, this particular study, 'The implications of EIB and EBRD co-financing for the EU budget', had very clear policy impact:

- Clear and unequivocal finding on the absence of financial liability from financial instruments to the EU budget. This was important in building confidence in financial instruments and in legitimating the expansion of the scope of such instruments.

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<sup>9</sup> Available at: <http://www.theparliament.com/magazines/parliament-magazine/>

- EBRD liaison and profile. The suggestion that the EBRD enhance its role has resulted in the creation of a permanent Brussels-based staff for the EBRD and more systematic engagement between EBRD staff and those within the Commission and EP, for example. This appears to be resulting in very real policy changes in important aspects of the EU's activity, with the EBRD increasingly seen as a legitimate policy partner and increasingly engaged in the policy process, for example in the ongoing review of the existing blending mechanisms.
- Discussions of audit, critical review of instruments and transparency. Overall, more research needs to be done here to ensure that the right balance is struck between the understandable need for transparency within these instruments and concerns that excessive audit may reduce the very viability of these instruments:
  - In particular, greater knowledge should be secured about the pattern and consequence of what may be termed 'day-to-day audit' (both ex-ante and ex-post) in terms of the positive benefits in terms of transparency as opposed to the burden which is placed on those trying to administer the instruments.
  - The control mechanisms as built into the instruments themselves. With provision of the new 'financial regulation', questions have been raised as to whether or not the regulation may itself contain excessive restrictions/reporting requirements which reduce the viability of financial instruments. As the regulation is rolled out, this is an issue which needs to be looked at seriously in order to ensure that an appropriate balance is struck.

## 6. APPENDIX: LIST OF INTERVIEWEES

NB – a number of interviewees preferred that I spoke to them on the basis that the interviews were not recorded. For that reason, a list is provided of the institutions that individuals represented rather than providing a list of names.

European Bank for Reconstruction and Development	2 interviewees
European Commission – DG Development and Cooperation/Europe Aid	3 interviewees
European Commission – DG Economic and Financial Affairs	5 interviewees
European Commission – DG for Enlargement	1 interview
European Commission – DG Energy	1 interview
European Commission – DG Enterprise	1 interview
European Commission – DG Regional Policy	1 interview
European Commission – DG Research and Innovation	1 interview
European Court of Auditors	4 interviewees
European Parliament	5 interviewees

## **ANNEX 1 - SEMI-STRUCTURED INTERVIEW 'PROMPT SHEET' – EUROPEAN COURT OF AUDITORS**

### The Implications of EIB (and EBRD) Co-Financing for the EU Budget

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#### **Introduction**

- Can you explain to me a little about your present role?

#### **Visibility of EP studies/reports in general**

- The European Parliament's committees produce a number of reports/studies annually. In general, how visible are they?
  - Do you read them? How do you access them?

#### **In relation to the report, 'The Implications of EIB (and EBRD) Co-Financing for the EU Budget'**

- Looking specifically at the report, 'The Implications of EIB (and EBRD) Co-Financing for the EU Budget', have you seen the report?
  - Has it had any impact on your work?
- In that report, we made the recommendation that the Court of Auditors be granted an expanded mandate to review not only the EU contribution to a co-financed instrument but the whole of the contribution including that made by the EIB and/or EBRD.
  - Has anything happened in this regard?
  - What is your view of that recommendation?

#### **Co-financing in general**

- Has anything changed at all in relation to how the European Court of Auditors audits co-financing?
- The Commission and EP seem to be very supportive of proposals to expand co-financing in the 2014-2020 budgetary framework –
  - Would an expansion of co-financing raise any particular issues for the ECA?

#### **Going forward/General**

- Going forward, what are the main issues in relation to the ECA's work?

## ANNEX 2 - INFORMATION FOR INTERVIEWEES

### The Implications of EIB and EBRD Co-Financing for the EU Budget – Follow Up

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- This study is a 'follow up' to a study commissioned by the European Parliament's Committee on Budgets. The earlier study (2011) examined EIB and EBRD - managed operations that receive funds from the EU budget, EIB and EBRD lending guaranteed by the EU and other EIB and EBRD activities or programmes that benefit from EU contributions (eg. grants). The study is at: <http://www.polis.leeds.ac.uk/assets/files/Staff/eu-budget-report-11-robinson.pdf>
- This 'follow up' reviews how far the recommendations have been taken up by the actors within the EU institutions, whether changes have been implemented which are in line with those findings, and to investigate the visibility of EP studies more generally.
- As part of the study, semi-structured interviews are being conducted with staff who are involved in EU-related (or financed) initiatives. Your name has been put forward in that context.
- The interviews are being conducted by Dr. Nick Robinson (lecturer in EU Public Policy, from the UK's University of Leeds).
- The interviews will last approximately one hour. There is no need for any formal preparation – although I would appreciate follow-up if appropriate (eg. forwarding any documents identified during the interview that might contribute to the study).
- The interviews will be recorded however this is for my benefit only. Individuals' views and comments will remain anonymous in the report to the Committee. As I am particularly keen to hear frank and open opinions, the recording will be switched off at the interviewee's request (for any 'off the record' remarks).
- For more information about the study please contact:

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