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Evaluation of instruments to respond to international cooperation partners' expectations

KEY TAKEAWAYS FROM THE EVALUATION

Enabel

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1 International cooperation under reshapes

International cooperation is undergoing **profound structural transformations that are reshaping cooperation models**, financing approaches and strategic priorities. Public funding for development cooperation is declining, while geopolitical and security considerations are increasingly influencing. At the same time, global challenges requiring collective responses — notably climate change and health security — are intensifying. In this context, stronger private sector engagement is increasingly viewed as necessary to mobilise additional resources and support development objectives.

At Belgian level, international cooperation is increasingly anchored within a broader foreign and security policy agenda through the Comprehensive approach, while also serving Belgian and European strategic interests.

Partner countries' expectations are also evolving. There is growing demand for stronger national ownership, better coordinated interventions, more risk-tolerant approaches and improved access to finance. These evolutions are reflected in broader international discussions on the new African financial architecture for development.

International cooperation is progressively shifting towards a more financial, investment-oriented and strategic model. Grants remain essential but their role is becoming increasingly catalytic. Guarantees, blended finance and risk-sharing instruments are expanding rapidly, while private sector actors are increasingly involved as co-investors and strategic partners rather than only service providers.

In this changing environment, **the question of cooperation instruments becomes strategic for Enabel**. The agency is expected to adapt its approaches and instruments to remain aligned with evolving international cooperation dynamics, Belgian priorities and partner countries' expectations. The "**Evaluation of instruments to respond to international partners' expectations**"[1] commissioned by ENABEL is part of the strategic path of the organisation to evolve in this landscape.

2 The current foundations: key takeaways

Clear strengths and recognised comparative advantages

The evaluation highlights the key strengths and comparative advantages that cooperation stakeholders recognise in Enabel.

Enabel is particularly recognised for its **close relationship with partner country authorities**, its **expertise in strengthening public systems and institutional capacities**, and its **ability to support multi-actor ecosystems** and **enabling conditions** for social and economic development. Its strong local anchoring in Africa, combined with long-term sectoral expertise in health, agriculture, energy, public finance and private sector development, represents a major asset. Enabel also benefits from a **strong European dimension**, with around half of its resources originating from the European Union. The evaluation further highlights Enabel's **potential to play a stronger catalytic role** by progressively building pipelines for financing actors (local, Belgian or international).

At the same time, several stakeholders perceive Enabel as an agency with heavy and time-consuming implementation procedures. The predominance of compliance requirements, restrictive grant rules and standard five-year project cycles limits flexibility and reduces the capacity to experiment with more innovative instruments. A low institutional appetite for risk and innovation also constrains the scaling-up of new approaches.

[1] **Enabel's strategic evaluation of instruments** included both retrospective and prospective aspects. The retrospective analysis reviewed strengths, weaknesses, and operational use of current tools to identify what works and where gaps remain. Prospectively, it considered how Enabel can create a more integrated approach with financial and non-financial instruments, boost private sector involvement, and attract additional funding. The scope covered traditional grants, result-based financing, repayable grants, guarantees funded by grants, budget support, basket funds, scholarships, and debt swaps. Methods involved document review, stakeholder consultations, academic research, four case studies, and six benchmarks with international organizations.

Grants remain central but need to evolve

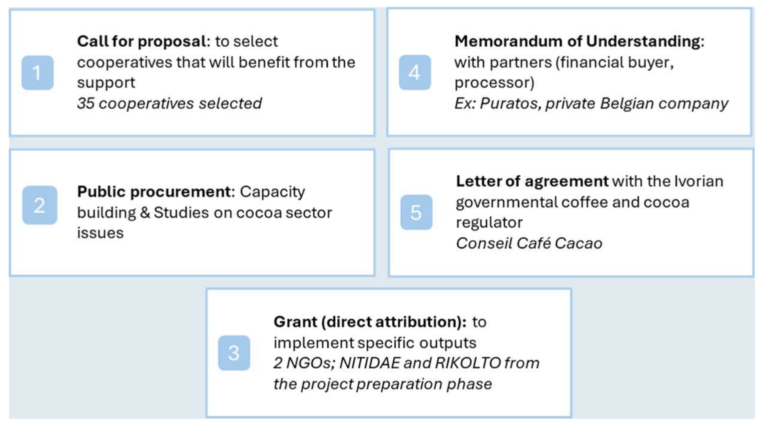
Grant-based instruments remain the backbone of Enabel's operational model. They are essential for fragile contexts, non-bankable sectors and situations where market-based instruments are not appropriate. However, **standard grants alone do not fully respond to evolving expectations** regarding leverage effects, mobilisation of private financing, speed of delivery and risk-sharing approaches.

The evaluation nevertheless shows that Enabel has already experimented **more innovative modalities**, including **result-based financing, repayable advances and guarantee mechanisms financed through grants**. These experiences demonstrate concrete potential and provide important lessons for future positioning.

Despite these promising experiences, **innovative instruments remain insufficiently integrated into Enabel's standard operational practices**. Teams often report limited familiarity with these modalities and insufficient knowledge of available guidance and tools. Operational constraints — particularly the rigidity of standard 5 years programme cycles — also limit the ability to scale and structure more sustainable and permanent mechanisms integrating instruments such as repayable grants or guarantees.

Concrete examples of successful innovative modalities

Côte d'Ivoire cocoa programme: catalytic use of grants to facilitate access to finance

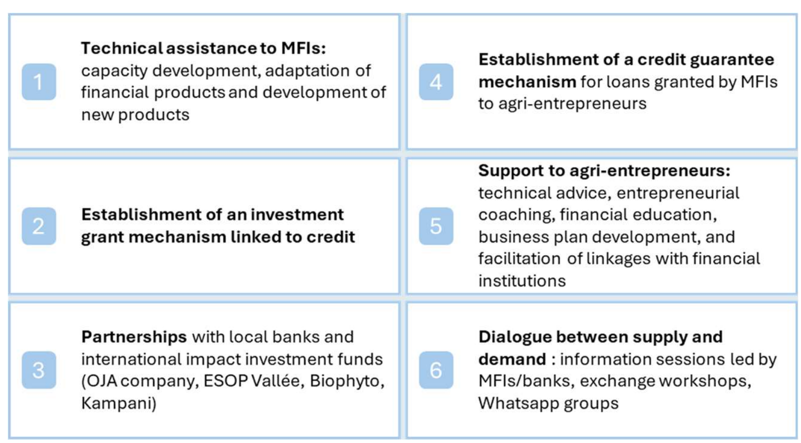


The €7.6 million cocoa programme in Côte d'Ivoire illustrates how instruments can be used strategically to facilitate access to finance and structure collaboration with financial institutions.

The programme combined **technical support to cooperatives** with **direct engagement with financial institutions** in order to **prepare producer organisations for financing**. Supported cooperatives received assistance to strengthen governance, financial management and market positioning, while the programme facilitated relationships with financial actors such as Kampani, Alterfin, SIDI, Advans and COFINA.

This preparatory work generated concrete results. Four cooperatives obtained financing through Kampani, while eight others secured financing from Advans. In parallel, seven cooperatives were presented to COFINA to explore access to a European Investment Bank-supported credit line. The programme also **demonstrated a concrete "Team Belgium" approach**. Enabel supported cooperatives upstream through technical assistance and preparation for financing, while Belgian actors such as Kampani, Alterfin and BIO Invest intervened downstream through development finance operations and investment support.

DEFIA programme in Benin: blending technical assistance, guarantees and credit-linked grants



The DEFIA programme in Benin, implemented between 2019 and 2023 with a budget of €25 million, provides a strong example of **combining technical assistance, guarantees and credit-linked grants to unlock investment in agricultural value chains**.

The programme addressed financing constraints on both the supply and demand sides through an ecosystem approach combining conventional grants with two innovative mechanisms: **a credit guarantee mechanism for microfinance institutions and a credit-linked grant mechanism for enterprises**. Under the guarantee mechanism, Enabel mobilised a €573,000 guarantee fund managed through a specialized Africa, guarantee managing institution and hosted in a local bank, covering 50% of the credit risk incurred by participating microfinance institutions financing the pineapple sector.

The programme generated significant results. 25 companies benefited from the credit-linked grant mechanism, generating an estimated leverage effect of 2.7 on private resources mobilised. Microfinance institutions developed four new financial products tailored to the pineapple sector, allowing to increase the total volume of credit granted from less than 1M€ to 7,5 M€ for more than 6.000 producers.

The programme also **facilitated additional financing from Belgian actors**. Building on Enabel's upstream support, three loans were granted by Kampani (0,8 M€) and one by BIO Invest (3M€). The trajectory of the SME BioPhyto illustrates this pathway, with initial support through the Enabel mechanism later followed by financing from Kampani and BIO Invest to support business expansion.

Result-based financing in the health sector

Experiences in Uganda, Burundi and Benin illustrate how result-based financing can **strengthen accountability, performance monitoring and measurable service delivery improvements** under increasing pressure for efficiency and demonstrable results. Under this modality, disbursements are made only once predefined results or indicators have been achieved and verified, rather than on the basis of costs incurred. RBF is expected to strengthen delivery through three main mechanisms: i) results-linked incentives; ii) routine verification and performance reviews; iii) increased decision space close to implementation.

In Uganda, the mechanism contributed to **improvements in sexual and reproductive health services, maternal and newborn care and the establishment of newborn units**, while also **strengthening reporting practices and emergency referral coordination**. In Burundi, the combination of result-based financing and targeted free care **helped maintain access to healthcare for pregnant women and children under five while reinforcing supervision and financial traceability**. In Benin, the approach contributed to **improved quality scores and maternal and child health indicators**, as well as **stronger accountability dynamics between providers and communities**.

The evaluation nevertheless highlights important limitations. Verification and reporting requirements generated significant administrative workload and transaction costs, while sustainability remained vulnerable to political changes, as illustrated by the discontinuation of the mechanism in Benin following a change in political leadership.

Budget support, scholarships: effective support but limited potential to leverage other fundings

ENABEL continues to use some instruments from the former CTB portfolio, though less frequently. These include **budgetary aid** (global or sectoral), **basket funds, and scholarships**.

Budget support aligns well with partner country ownership and facilitates Belgium's policy dialogue. **Basket funds** enable sector reforms through stable funding, while **scholarships** build partners' skills and international ties, boosting Belgium's soft power. However, these appear out of step with the constraints on public resources for cooperation and shift toward multi-stakeholder partnerships fully incorporating private sector actors.

Less common tools, like the **recent debt swap is used in Mozambique**, offer promising but not yet fully proven approaches.

Besides, **the Act establishing Enabel allows it to provide loans**; however, to date, the necessary Royal Decree has not been adopted and Enabel has not yet begun the exercise of issuing loans.

3 Inspiration from others

The benchmarking analysis highlights several approaches used by international cooperation actors that could inspire Enabel's future positioning.

The German DeveloPPP programme illustrates how public instruments can support co-investment with the private sector through cost-sharing mechanisms combining development objectives and private investment. The model demonstrates the importance of **long-term strategic continuity**, **clear eligibility criteria and strong local presence**. For Enabel, such an approach could be relevant to strengthen structured partnerships with companies and mobilise private investment around development objectives, provided that clear strategic priorities and operational rules are established.

The French Fund for Innovation in Development (FID) illustrates a more flexible and experimentation-oriented grant approach. The mechanism supports innovation across sectors and actors through **lighter procedures, phased financing and strong links between innovation and evidence generation**. For Enabel, replicating such an approach would require more flexible procedures, greater institutional tolerance for measured risk and a stronger orientation towards learning and impact rather than compliance alone. It would also require clarification of the framework for working with private actors.

The Dutch Fund for Climate and Development provides an example of an integrated approach combining project origination, preparation and investment mobilisation. A central objective is transforming early-stage initiatives into bankable investment opportunities capable of attracting larger-scale financing. The benchmark highlights the importance of **strong project pipelines, thematic expertise and local anchoring**. For Enabel, such an approach could be particularly relevant in sectors requiring large-scale investment mobilisation, such as climate adaptation or infrastructure, provided sufficient project aggregation and field presence can be ensured.

Finally, **SIDA's guarantee mechanism** illustrates how sovereign-backed guarantees can mobilise private financing by reducing risk for financial institutions. The mechanism demonstrates the growing importance of guarantees and risk-sharing instruments within international cooperation. However, such instruments require **strong political backing, an appropriate legal framework and specialised expertise in credit risk management and financial structuring**. For Enabel, this type of mechanism would imply a strengthening of financial capacities and a clear strategic decision regarding the level of acceptable risk exposure.

4 Shaping the future: recommendations

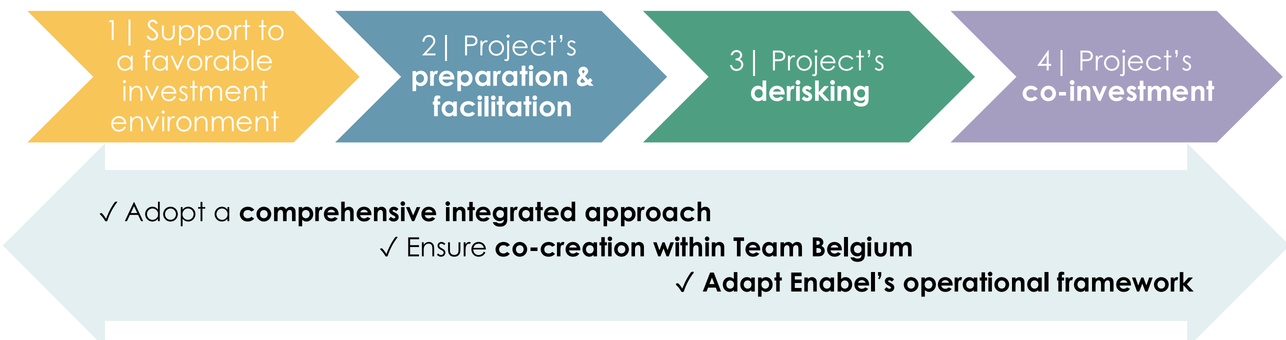
Towards a role as investment facilitator

The evaluation points towards the need for a strategic repositioning of Enabel: from a project implementation agency towards a **stronger role as investment facilitator** capable of transforming ideas into bankable opportunities with positive impact and maximising the leverage of public and private financing.

Enabel's recognised strengths — strong local presence, deep connections with local ecosystems, institutional expertise and sectoral experience — constitute important assets to support such an evolution.

Through 4 strategic levers

The evaluation identifies **4 strategic levers** that could support Enabel's repositioning:



This evolution would require **three key enabling factors**:

- **Adopting a comprehensive and integrated approach:** The 4 levels have their specific intervention logic (from non-financial support to public and private sectors to mature and secure projects to financial support to scale up projects) and added value. These 4 levels reinforce one another within a single mechanism, particularly when supporting a value chain or a territory (e.g. Global Gateway Corridors)
- **Strengthening co-creation and complementarities within Team Belgium:** Existing good practices are emerging, but a shift is needed from an opportunistic approach to a more strategic one. In a context of growing donor competition, co-creation is critical to strengthen "Team Belgium" at EU level, particularly within the Global Gateway framework.
- **Adapting Enabel's operational framework**, procedures and internal capacities to support greater flexibility, innovation and financial expertise:
  - **Develop a corporate-level financing vehicle** to address some of the current key timing and geographical constraints (the sole integration in projects/programs limits the eligible countries and the duration since the 5-year country commitment limits the use of guarantees and repayable advances and flexibility to respond to new demands).
  - **Adjust the operational framework for grants**: interpretation of the EU state aid regulation and authorized exceptions, eligibility of businesses, adaption of procedures to the size of grants.
  - **Explore the use of loans:** Enabel should assess the strategic relevance, added value and operational feasibility of integrating loans into its financing toolbox.

Recommended Key Strategic Levers

	Support to a favorable environment	Project's **preparation and facilitation**	Project's **derisking**	Project's **co-investment**
Objectives	• Create favorable institutional, regulatory and governance conditions that enable public and private actors to design, finance and implement sustainable development initiatives.	• Create pipeline of mature projects • Accelerate implementation of projects • Identify possible additional resources (financial/technical) • Raise investee-readiness	• De-risk investments • Improve project viability • Facilitate access to finance • Raise investor-readiness	• Support the development of viable projects, particularly in underserved or early-stage markets (with BIO) • Co-invest into bankable projects • Support equity market in the countries
Implementation	• **Strengthen governance systems and institutional capacities** of public institutions at national and local levels to improve policy implementation and public service delivery. • **Support the development of enabling legal, strategic, regulatory and policy frameworks** that foster sustainable development and facilitate public and private investment. • **Reinforce the technical, managerial and organisational capacities** of key stakeholders to improve the design, implementation and sustainability of development interventions.	• **Play a catalytic role by preparing mature projects and bankable investment:** • **For local public bodies**: studies for project preparation, capacity strengthening • **For Entreprise Support Organisations**: capacity strengthening, ecosystem building • **For local public development banks, MFIs, commercial banks:** capacity building, market studies, structuring financial instruments • **For Enterprises**: project preparation for investment; support with due diligence & risk assessment; Strategy design (business plan, investment plan, HR management, green transition, etc.) • **For Belgian stakeholders** (public or private), act as a liaison on the ground	• **Position Enabel as a facilitator of early-stage investment to provide seed funding and leverage further financing** • For public actors: provide TA and grants to launch pilot / innovative projects • For private sector: • Provide direct support to businesses (Grants to cover early-stage costs or compensate specific risks) or guarantees to cover (partially) credit or investment risk and back-up lenders and investors • Provide indirect support through local existing financial institutions (TA or financing support to guarantee mechanisms) • Set-up of a guarantee fund operated by ENABEL that enables support with leverage and limited use of public funds	• **Contribute to the scaling up of projects according to 3 potential modalities**: • Launch a Programme such as DeveloPPP or Challenge Funds • Develop « partnership and financing agreements » with Africa-focused VC management companies (reimbursable grants in parallel to an equity investment from the VC into start-ups; TA) • Direct participation in Seed/VC funds – already existing or in creation and complement it with TA programme to enhance investee readiness and/or fund management (e.g. Digital Energy Facility - in the countries where Enabel works on private sector development, in order to provide exit support for companies in development)
Target groups	• Public institutions, at the national (ministries, public banks) or local levels	• Public institutions in partner countries, at national or local level • Public and private Belgian stakeholders • Entreprise Support Organisations (ESO) • SMEs, cooperatives, start-ups, anchor firms	• Public institutions in partner countries, at national or local level • SMEs, cooperatives, start-ups, anchor firms Microfinance institutions • Commercial banks, local public banks	• Early-stage VC managers and Business Angels • Corporate Venture • Philanthropic • Other donors
Instruments	• Technical assistance • Grants	• Technical assistance • Grant	• Technical assistance • Grants (including innovative schemes) • MoU with companies • Guarantees	• Technical assistance • Grants in co-financing on innovative projects (including innovative schemes) • Subscription in Early Stage VC Funds