Independent Full-Scale Evaluation of the MENA Transition Fund

Final Report

Client: MENA Transition Fund

Rotterdam, 15 January 2019
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Rotterdam, 15 January 2019
# Table of contents

Acknowledgments ........................................................................................................... 7

Acronyms ......................................................................................................................... 9

Executive Summary ........................................................................................................... 11

1 Introduction
   1.1 The MENA Transition Fund at a glance ................................................................. 17
   1.2 Evaluation purpose and methods ......................................................................... 18
   1.3 MENATF theory of change and objectives ............................................................ 19
   1.4 Limitations ............................................................................................................. 20

2 Relevance, complementarities and responsiveness ..................................................... 23
   2.1 Political, social and economic challenges in the MENA region ......................... 23
   2.2 Relevance of the Fund’s objectives and its portfolio for the Region’s and countries’ challenges .................................................................................................................. 24
   2.3 Four relevant strategic and operational Fund features ....................................... 25
   2.4 Relevance and the project selection and approval process .................................. 26
   2.5 ISA complementarities and contributions in the Fund ........................................ 28
   2.6 Fund responsiveness
      2.6.1 Response to conflict ...................................................................................... 30
      2.6.2 Response to implementation capacity and reform constraints ..................... 31
      2.6.3 Response to decreasing Fund resources ......................................................... 32
      2.6.4 Response of the Steering Committee ............................................................. 32

3 Effectiveness and results ............................................................................................... 33
   3.1 Introduction ........................................................................................................... 33
   3.2 Results reported by the Fund ................................................................................ 34
   3.3 Project effectiveness ............................................................................................... 35
   3.4 Explanatory performance factors ......................................................................... 36
   3.5 Transformative effects .......................................................................................... 38
   3.6 Transformative effects in other projects ............................................................... 41
   3.7 Transformative effects by country and by ISA
      3.7.1 Transformative effects by country .................................................................. 42
      3.7.2 Transformative effects by ISA ....................................................................... 42
      3.7.3 Transformative effects by execution type ....................................................... 43
   3.8 Supportive factors for transformative effects: Knowledge and capacity and investment leverage .................................................................................................................. 43
   3.9 Transformative effects and lasting impact of reforms ......................................... 45
   3.10 Performance of regional and pilot projects ......................................................... 46
   3.11 Sustainability, mainstreaming and scaling-up ....................................................... 47

4 Efficiency and partnerships .......................................................................................... 49
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We are deeply inspired by all we met who continue their tireless efforts under the difficult and often disappointing conditions of this region in transition and who keep on working towards a vision of a better future.
Acronyms

AFESD  Arab Fund for Economic and Social Development
AMF  Arab Monetary Fund
AIDB  African Development Bank
BRAVE  Business Resilience Assistance for Value-adding Enterprises
CAN  Canadian Dollar
CASA  Conflict Affected States in Africa
CP  Coordination Platform
CRF  Common Results Framework
CSO  Civil Society Organisation
CU  Coordination Unit
DAC  Development Assistance Committee
DKK  Danish Krone
DP  Deauville Partnership
DPL  Development Policy Loan
DPO  Development Policy Operation
EBRD  European Bank for Reconstruction and Development
EIB  European Investment Bank
EU  European Union
EUR  Euro
FCS  Fragile and Conflict-affected States
FDI  Foreign Direct Investment
FEMIP  Facility for Euro-Mediterranean Investment and Partnership
FIF  Financial Intermediary Fund
FSE  Full-Scale Evaluation
GBP  Great Britain Pound
GDP  Gross Domestic Product
IBRD  International Bank for Reconstruction and Development
IFI  International Financial Institution
IFI-CP  IFI Coordination Platform
IMF  International Monetary Fund
ISA  Implementation Support Agency
ISO  International Organization for Standardization
ITC  International Trade Center
IsDB  Islamic Development Bank
JIC  Jordan Investment Commission
MENA  Middle East and North Africa
MENATF  Middle East and North Africa Transition Fund
MIS  Management Information System
MSME  Micro, Small and Medium Enterprises
MTR  Medium Term Report
NEI  Netherlands Economic Institute
NUR  National Unified Registration
ODA  Official Development Assistance
OECD  Organisation for Economic Collaboration and Development
OFID  OPEC Fund for International Development
OM  Operations Manual
PDO  Project Development Objective
<table>
<thead>
<tr>
<th>Acronym</th>
<th>Definition</th>
</tr>
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<tbody>
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<td>PFM</td>
<td>Public Financial Management</td>
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<td>Public Investment Manual</td>
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<td>Technical Assistance</td>
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<td>Tunisian Energy Reform Plan</td>
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<td>VMP</td>
<td>Virtual Market Place</td>
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Executive Summary

Introduction

The MENA Transition Fund was established after the Arab Spring by the Deauville Partnership to “provide grants, technical assistance, and knowledge exchange […] to help countries strengthen their institutions and develop and implement home-grown reforms”.¹ Fifteen donors and ten Implementation Support Agencies (ISAs) currently support the Fund in the six countries covered: Egypt, Jordan, Libya, Morocco, Tunisia and Yemen. Since 2012, the Fund approved 90 projects with a total value of USD 236 million, of which as of June 2018 ten have been closed and eight have been cancelled.

The MENA Transition Fund’s Steering Committee commissioned Ecorys to undertake an independent full-scale evaluation of the Fund. The scope of the evaluation encompasses a comprehensive review of the Fund’s project portfolio, Fund governance and operation, and financial management since its establishment in 2012. The evaluation focused in particular on the quality of implementation and the results achieved.

The evaluation is based on a multi-method approach that includes review of Fund documents, interviews with donors and ISAs, surveys among members of the Steering Committee and project managers, country visits to Egypt, Jordan, Morocco and Tunisia and desk-based assessment of projects in Libya and Yemen. A sample of 38 projects has been selected for in-depth analysis. The evaluation team rated each project per evaluation criterion relevance, effectiveness, efficiency and sustainability. These ratings were subsequently aggregated and analyzed to formulate answers to the evaluation questions. In addition, to present a more comprehensive picture of the contribution of the MENA Transition Fund to reforms in the six countries, an additional sample of 29 projects was selected. These projects were more lightly assessed (through desk research and interviews with TTLs) in terms of the transformative effects.

Main findings

The six countries covered by the MENA Transition Fund vary significantly in terms of context and transformation backgrounds due to different: economic features as well as political, social and cultural legacies. In all countries, the transition processes have been more complicated than originally hoped for by the Deauville Partnership. In particular, the situation in Libya and Yemen worsened after the outbreak of civil wars in these countries.

Given the complexity of the transition challenges, the size of the Fund with 242 million USD is rather limited. Despite its limited size, the Fund has been able to contribute to the development of transition countries through the provision of technical expertise and achieved catalytic effects. The evaluation found a multitude of results that funded projects brought forward. These are presented below for each evaluation criterion.

Relevance, complementarities and responsiveness
The global strategy of the MENA Transition Fund was to provide grants for technical assistance to support the six countries in their political, economic and social transition processes. The evaluation

found that the objectives of the Fund indeed focused on key challenges in these countries, albeit predominantly on socio-economic challenges rather than political challenges. At the same time however, the Fund, mainly due to the broad coalition and its political nature lacked a strong strategic focus that ultimately affected donor commitments and fund raising. Initial decisions by the Deauville Partnership on the scope of the Fund, the focus on technical assistance, and on partners and implementing agencies were taken mainly on the basis of political considerations and without prior formal technical analysis.

Since Transition Countries were in the lead on project selection, with support of the ISAs, most projects are generally well aligned with country needs and objectives. In addition, projects are also complementary to the activities of the ISAs involved. Their support to the drafting of project proposals and project selection ensured proper application of their thematic and country expertise as well as their capacity to engage.

In principle, the process described above has worked well, but country portfolios and -ultimately-project effectiveness could have benefitted from more attention to institutionalize upfront agreements and strategic priority setting among authorities in the Transition Countries and ISAs. This would have allowed for the identification of windows of opportunity for reforms, avoid opportunistic project submissions, and better define impact pathways and complementary investment opportunities.

The MENA Transition Fund proved responsive to both external and internal challenges to project selection and implementation. With regard to external challenges, the Fund managed to continue some projects after the outbreak of violent conflict in Libya and Yemen, while cancelling others. Overall, less funding was allocated to these countries at war. With regard to internal challenges, the Fund facilitated continued project implementation at times when this was hampered by delays and limited government capacities. The flexibility of the Fund allowed for project extensions, restructuring and suspension.

Effectiveness and results
The evaluation found most MENATF projects to be effective. Most projects achieved or are well on track to achieve their project development objectives. 41% of projects were rated as satisfactory and 51% as moderately satisfactory. Only 8%, were found moderately unsatisfactory. The FSE ratings on effectiveness correspond in most cases well with those of the latest project progress reports.

The main factors contributing to well-performing projects are good project design, country ownership, and high quality of project management. On the other hand, unfavorable political and economic environments, complexity of project design, unrealistic expected outcomes, and low support from senior decision-makers affect performance negatively.

Most funded projects contribute to reform efforts in the six countries such as policy and institutional reforms, private business enhancement, innovation and inclusiveness. Yet, the scale depended largely on project type, objectives and maturity. Projects executed by the Transition Countries themselves show consistently higher transformative effects than those executed by ISAs.

In addition, almost all projects generated sustainable knowledge and capacity in the Transition Countries. Furthermore, a leverage of investments already took place in almost 40% of the projects sampled, mainly via funding from the World Bank, the EBRD and the EIB.
Whether and to what extent the Fund’s development objectives were achieved is a difficult task. The overall Fund objective is formulated in a very broad way “To improve the lives of citizens in transition countries and to support the transformation currently underway” with equally broad Fund impact areas of sustainable and inclusive economic growth and strengthened governance and public institutions. There are no Fund wide indicators or targets for what would constitute Fund achievements and success. Moreover, poor social and economic trends in the region and overall relatively slow reform efforts may suggest limited success of transitions, and implicitly of the Fund.

Any assessment of the achievements of the Fund’s development objectives should take into account the political volatility in the region, the pace with which the Fund was established to assist the six countries as quickly as possible in their transition processes, the long-term character of these transition processes, and the limited size of the Fund against a backdrop of significant challenges. This will contribute to proper understanding of the achievement of the Fund’s development objectives in the long run and offers the possibility to capitalize on the Fund’s experiences.

**Efficiency and partnerships**
The majority of Fund projects have been good value-for-money but often come along with lengthy delays.

There seem to be four key reasons for slow project implementation in the Transition Countries:
- The gross underestimation of efforts and time it takes to bring about real reforms in a challenging political, administrative and socio-economic environment;
- Limited capacity, know-how and incentives among managers and staff at Recipient Entities;
- The lower priority given to Fund grants for technical assistance than to loans by project managers at both Recipient Entities and ISAs, and;
- The high turnover of senior-level civil servants and political leadership in the Transition Countries.

A majority of Fund projects are executed by ISAs, which helped with procurement and project management, especially where the capacities of Recipient Entities are weak. However, this also often resulted in lower project ownership of Transition Countries and less transformative effects, particularly in regional projects.

The Fund facilitated a significant number of new partnerships among stakeholders that were not traditionally working together by bringing together representatives from different Recipient Entities. At the same time, there is little cooperation between different funded projects/ISAs or cooperation at country level. The Deauville Partnership established a coordination mechanism with a prominent role for the IFI Coordination Platform (IFI-CP) and the Transition Countries. In practice, the effectiveness of coordination by the IFI-CP was hampered by factors such as a lack of a relevant mandate from the Deauville Partnership as well as of financing from donors.

**Governance**
The governance structure of the MENA Transition Fund is laid down in the Fund’s Operation Manual. The evaluation revealed that the governance set-up was appropriate for an effective and efficient operation of the Fund. The Steering Committee effectively exercised its oversight function, the Coordination Unit (CU) continued to be highly appreciated for its administrative support and in most projects there was good cooperation between Recipient Entities and ISAs. The Trustee delivered regular reports to the Steering Committee that demonstrated effective and efficient management of Fund resources.
The World Bank made efforts to independently exercise its three roles as Trustee, and ISA in the Fund. This internal division of labor was apparently not always clear to some stakeholders, especially among those who became involved in the MENATF more recently and who expressed during FSE interviews concerns about the World Bank’s multiple roles. The FSE did not find any evidence of a conflict of interest.

The Fund could have benefited from more strategic leadership. Both the Steering Committee and the IFI-CP proposed a revised strategic direction to better anticipate the emerging transition pathways in the different countries and to stimulate fund-raising. These plans were not adopted by the Deauville Partnership.

The Fund mobilized 242.4 million USD as of June 2018, therewith almost achieving the initial target of 250 million USD. 29 million USD have been mobilized since 2015, almost all from G7 countries, except for 5 million USD from the Netherlands.

The costs of operating the MENATF remained below 10%. The costs of the Steering Committee, the Trustee and the CU as well as the indirect costs of the ISAs are at 8.6% of total Fund allocations. Communication campaigns pushed costs only a little after they had been initiated after 2015. The costs for implementation support may have been somewhat underestimated due to the frequent project extensions and restructuring.

Available funding for the remaining period allow to support follow-up of successful Fund projects through dissemination, mainstreaming and upscaling, or the learning of lessons from broader experiences.

Recommendations

Based on the findings, the evaluation team formulated two sets of conclusions.

Recommendations for the remaining period of the MENA Transition Fund:

1. Transition Countries and Implementation Support Agencies should foster learning from (pilot) projects and country experiences by producing quality Implementation Completion Reports and systematic impact assessments;
2. Transition Countries and Implementation Support Agencies should ensure sustainability of achieved results by mainstreaming and scaling-up through continued capacity building as well as linking up with complementary activities;
3. The Fund should use additional resources (if available) for the promotion of lessons learned across projects and the synthesis of lessons on priorities across Fund themes that are potentially of interest for future funds.

Recommendations for future similar funds:

1. Continue the focus on technical assistance with the continued involvement of Implementation Support Agencies as well as a flexible approach to project design and implementation: These three instruments and mechanisms have been highly relevant in the MENATF. Technical assistance is underinvested and in high demand in the region. Multilateral institutions can ensure complementarities and leverage. They are well placed to facilitate necessary reforms in enabling legal, administrative and institutional environments. Flexibility is a key principle in rapidly changing, volatile and fragile environments;
2. **Continue to facilitate the establishment of partnership at political and technical levels and strengthen the link between the two levels:** The Deauville Partnership and MENATF fora have been highly appreciated as useful opportunities of bringing together Western and Arab stakeholders for policy dialogue that should continue and be deepened. The IFI Coordination Platform was useful but requires a sufficient mandate and resources to fulfil its supportive functions, particularly strategic and technical activities at country and regional levels. Including new relevant partners could potentially reinforce these advantages. At the same time, the link between the political and technical level should be strengthened to ensure sufficient political support to enact reforms supported by any similar future Fund.

3. **Systematically foster country ownership by delegating decision-making to Transition Countries, supported by Implementation Support Agencies to ensure a strategic focus and coherence of country portfolios:** Country ownership was central to achieve transformative and sustainable effects in the Fund. TC project execution should therefore be the preferred mode. Where situations may demand or TCs have a strong preference for ISA execution a form of mixed models should be considered in close consultation with cooperating partners. Any future Fund should institutionalize upfront agreements and strategic priority setting among TC authorities and ISAs at country level, preferably with donors involved;

4. **Establish mechanisms to ensure Fund strategic focus, responsiveness, coherence and identity that facilitate results, high-level support, oversight and fund-raising:** Many FSE interview partners, not only donors, called for a sharper future Fund strategic focus and clearer Fund identity, particularly in the TCs. The FSE showed that the strategic ambiguity of the MENATF followed from the lack of political leadership of the DP. Future funds should therefore ensure sufficient political backing. In addition, future Fund preferences and project selection criteria should be based on a solid problem assessment and subsequently more precisely formulated and then communicated at Fund level, in addition to the more general project eligibility criteria. Future Funds should institutionalize and build in stronger mandatory strategic reviews after three or four years of operation, which could set the stage to adapt to changing conditions and learn from experiences thus far. In the absence of agreed strategic changes, agreements on the termination of the Fund should be rigorously applied. This process could also benefit from the development of an enhanced ToC and common results framework at the beginning. The MENATF red-flag approach of lagging projects should be institutionalized from start.

5. **Generate a governance system that allows for strategic decision making and the professionalization of fund-raising:** Assuming sufficient political and strategic support, as stated above, future Funds should include a stronger and better-resourced technical support mechanism, either in the form of a strengthened IFI-CP, an institutionalized technical advisory committee, or within the CU that could ensure strategic responsiveness and continuity as well as an SC able to provide continuous pro-active and strategic decision-making. This allows for the preparation of strategic reviews and options, backed up by solid technical analysis. When combined with professional help in fund-raising, this may contribute to boost lagging pledges.

6. **Pay attention to Fund synergies through regional and global integration, knowledge exchange, learning and common actions:** Link Fund projects more effectively with good practice models, institutions and similar projects within and beyond the region. Such activities could either be built into project components, budgets and PDO indicators at design, or they could be supported through separate institutional and funding arrangements at Fund level. In doing so, it is important to reconsider the rationale and operation of regional projects that provided only few regional public goods in the MENATF. Regional projects should be more than
multi-country projects. Hence regional approaches should ideally originate from, but certainly strongly involve the region’s countries, at political and technical level.

7. **Apply a two-stage project selection process and improve technical reviews to ensure high-quality projects and to make optimal use of opportunities for reform among different Recipient Entities.** The FSE considers a two-stage approval process crucial for future similar Funds. Such a process could include as a first step the approval of sufficiently detailed concept notes, followed in a second step by the preparation of a final proposal, which would be supported through the provision of project preparation funds. Reviews should also pay attention to the need for clarity on the reform path and how to strategically select and maximize TA contributions. Since reforms increasingly require transparency, communication and a broad consensus, these aspects should be part of proposal submission and review.
1 Introduction

1.1 The MENA Transition Fund at a glance

Background

In May 2011, the Deauville Partnership (DP) was created by the G8 to provide support to countries in the MENA region as they transition towards “free, democratic and tolerant societies”. In 2012, at the request of the DP, the MENA Transition Fund (MENATF or Fund) was established to “provide grants, technical assistance, and knowledge exchange [...] to help countries strengthen their institutions and develop and implement home-grown reforms”. Fifteen donors and eleven Implementation Support Agencies (ISAs) currently support the Fund in six Transition Countries (TCs): Egypt, Jordan, Libya, Morocco, Tunisia and Yemen. To ensure country ownership, the Fund fully delegates decisions on project submission, priorities and implementation to the TCs and to some extent to the ISAs. Each ISA applies its own policies and procedures for a swift provision of support without introducing an additional bureaucratic layer through the Fund. This was deemed acceptable by the donors contributing to the Fund since they are often also Board members of ISAs. Ultimate decision-making on project selection and oversight of the Fund is entrusted to a Steering Committee (SC) with Donors and TCs as voting members, and ISAs as observers. The DP provides political and strategic guidance to the Fund.

The Fund’s conception and design were based on political decisions made by the G8 with France and the US in the lead, in consultation with a broader coalition of donors beyond the G8 (among them several Arab countries), TCs, other Deauville Partnership members and ISAs in 2011 and 2012. This coalition agreed on the Fund foundation documents: The Operations Manual (OM), the Contribution Agreement with donors and the Financial Procedures Agreement with ISAs. Given the nature of the support provided by the Fund, namely technical assistance (TA) to inform the transition process and support reform implementation, it was decided to apply a light touch in the Fund’s governance structure, and avoid long project approval processes. Fund design was not preceded by a formal analysis of TC needs, priorities or of designated implementation partner capacities.

Fund size and objectives

The Fund is relatively small compared to the magnitude of challenges faced by Transition Countries. Donors pledged 250 million USD into the MENATF of which 242 million USD had been contributed by September 2018. From the start, the Fund was intended to provide support “with due consideration to bilateral and multilateral assistance” provided through Official Development Assistance (ODA) and other mechanisms to transition countries. MENATF support was thus meant to be additional. The MENATF provides grant funding and promotes partnerships covering the three themes of the Deauville Partnership: Finance, trade and governance. In line with these themes, the Fund defined four pillars of Investing in Sustainable Growth; Inclusive Development and Job Creation; Enhancing Economic Governance; and Competitiveness and Integration.

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4 The IMF is also an eligible ISA but has not implemented any MENATF projects.
5 Ibid.
**Fund portfolio**

Since 2012, the Fund approved 90 projects with a total value of USD 236 million, of which as of June 2018 ten have been closed and eight have been cancelled. Egypt, Tunisia, Jordan and Morocco received over 75% of available funding, with Egypt having the largest portfolio in monetary terms\(^6\). Each of these countries had between 16 and 21 projects. Project approvals declined over time due to funding constraints and the conflict in Yemen and Libya. These two countries ended up with much fewer projects than the others (Figure 1.1) did.

**Figure 1.1 Total number of projects by country over time**

![Figure 1.1 Total number of projects by country over time](image)

*Note: Numbers include all approved projects, including cancelled ones.*

1.2 **Evaluation purpose and methods**

**Purpose and questions**

A request to undertake a full-scale independent evaluation (FSE) of the MENATF is stated in the Fund’s OM. The FSE covers both learning and accountability and focuses on implementation quality and results achieved. It draws lessons and formulates recommendations for the Fund’s remaining time until 2021 (End-of-Transfer Date) and for donors’ future engagement in similar funds. The FSE builds on the findings of the MTR conducted in 2014 and ensures comparability with its approach. The main evaluation questions for this FSE as stated in the TOR are attached in Annex 1.

**Approach**

The analysis is based on desk reviews of all relevant Fund and project documents, extensive stakeholder interviews by phone and in person, and country missions by team members to Egypt, Jordan, Morocco and Tunisia of between 10 to 20 days. Libya and Yemen were covered long-distance. Two on-line surveys were carried out among SC members and project leaders of ISAs and Recipient Entities (RE).

The FSE analyses builds on the DAC evaluation criteria of relevance, effectiveness, efficiency and sustainability, at project and Fund levels. Both quantitative and qualitative methods were used. Special attention was paid to the approach of aggregating information across projects and ensuring comparability of ratings. Triangulation of stakeholder views was done by comparing interview records and regular exchange among the various team members and interviewers.

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\(^6\) Egypt USD 57m, Jordan USD 50m, Tunisia USD 48m, Morocco USD 44m, Yemen USD 21m, Libya USD 14m.
A sample of MENATF projects was selected for in-depth analysis with emphasis on projects that already were showing some results. Selection criteria also included adequate coverage of countries, Fund pillars and themes, ISAs, and progress ratings. This sample includes 37 projects or 41% of all projects approved by the SC to date (45% if cancelled projects are excluded). Due to the FSE focus on results, the sample has a relatively large share of projects approved during 2012-2014 (81%). For this reason, a second round of desk reviews and interviews with TTLs of another 28 projects were conducted. This allowed to compare results of previously non-sampled projects with those sampled earlier (Annex 8).

1.3 MENATF theory of change and objectives

The Fund did not develop a theory of change (ToC) due to the broad variety of activities and thematic areas supported by the Fund and the delegation of strategic decision-making and operational implementation to TCs and ISAs respectively. Given the Fund’s focus on reforms and technical assistance, it was also felt by several SC members that the impact from reforms is not easily quantifiable and attributable as this takes a long time to materialize, often beyond the Fund’s lifetime. A basic common results framework (CRF) for the aggregation of similar outputs and outcomes was developed in 2014 based on existing common project indicators. However, it was not meant to substitute for a ToC or a full-fledged Fund results framework.

Hierarchy of objectives
The FSE reconstructed a ToC to permit results assessment across projects, full analysis and aggregation. This was done through document reviews and interviews with major stakeholders. The hierarchy of objectives in this ToC includes outputs and outcomes by pillar as well as cross-cutting higher-level outcomes (Figure overleaf). These are attributable to the Fund projects. Outputs and outcomes by pillar are those reported in the project-specific results frameworks and the CRF. Cross-cutting higher-level outcomes are partly but not systematically reported in projects, and often in the form of outputs, such as produced documents or trained persons. Finally, the ToC also includes two impact objectives concerning economic growth and governance. Given the many intervening variables, evidence of the Fund’s contribution is much less evident at this level.

Transformative effects
The FSE developed a number of higher-level Fund and project outcome indicators transformative effects (TEs). These TEs are fully in line with the Fund’s broad objectives. These have been validated in interviews and systematically assessed for each project. This approach is based on the conceptualization of transformational change as a notion of gradual change in complex systems over time. TEs are indicators of country-owned policy and institutional reforms, business enhancement, innovation and inclusiveness; as well as knowledge and capacity building and investment leverage. The potential value-addition through partnerships is also being considered as a TE (see Annex 2 for a more detailed definition and discussion of indicators of TEs and their assessment in this evaluation).

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7 For a detailed presentation of the Theory of Change, see Annex 4.
8 This concept suggests looking for signals of transformation at various stages – from ‘early’ signals whereby the foundations for change are established, through ‘interim’ signals whereby a response within the system is observed to be underway, to ‘actual’ signals of transformation in the form of desired outcomes (Climate Investment Fund evaluation on Transformational Change, ongoing, unpublished internal documents and verbal communication).
1.4 Limitations

Several factors limited this evaluation: Most importantly, the coverage of a highly diverse portfolio carried out by rather different implementation agencies and a large number of projects to be covered in a relatively short time (and in Libya and Yemen without field visits). Vague Fund objectives, a missing Fund theory of change and weak metrics at Fund level complicated the aggregation of results. The timing of this FSE at a stage where few projects are completed further limits its conclusions on ultimate project results and impact. Finally, several frequently asked questions about the Fund scope, country coverage, range of partners and relevance of the Fund’s thematic and instrumental approach would require, at least to some extent, a more thorough analysis of the Deauville Partnership itself, including that of its political economy, which was outside of the TOR for this evaluation.

Despite these limitations, the evaluation team was able to generate evidence that informed the findings. First, the evaluation is based a sound analytical framework that includes a Theory of Change, an evaluation matrix with evaluation questions and associated indicators. Second, the FSE encompasses all six Transition Countries for which extensive analyses of country contexts were undertaken. Third, the evaluation builds on a variety of different methods that generate factual information and opinions. Fourth, the findings are based on interviews with different stakeholders involved in the sample projects (project managers from both REs and ISAs) during the country
visits and by phone as well as on interviews with different stakeholders (donors and ISA focal points) involved at Fund level. Fifth, the information obtained through these methods was subsequently triangulated and analyzed, allowing for the formulation of balanced and solid findings.
2 Relevance, complementarities and responsiveness

At strategic level, the Fund’s objectives focus on the challenges faced by the Transition Countries. Objectives are broad with a stronger orientation towards socio-economic rather than political reforms.

The portfolio of MENATF projects focus on a small range of major reform themes. Projects are highly relevant and well aligned with both Fund and country needs and objectives.

The Fund furthermore has four operational features that contribute to its relevance and comparative advantage. These are its focus on technical assistance and innovative pilots, orientation towards partnerships, reliance on multilateral institutions as ISAs, and its flexible project prioritization and implementation.

Projects are also complementary to the activities of the Implementing Support Agencies in the six countries. Their support to the drafting of project proposals and project selection ensured proper application of their thematic and country expertise as well as their capacity to engage.

The MENA Transition Fund proved responsive to both external and internal challenges to project selection and implementation. With regard to external challenges, the Fund managed to continue some projects after the outbreak of violent conflict in Libya and Yemen, while cancelling others. Overall, less funding was allocated to these countries. With regard to internal challenges, the Fund facilitated continued project implementation at times when this was hampered by delays and limited government capacities. The flexibility of the Fund allowed for project extensions and restructuring.

2.1 Political, social and economic challenges in the MENA region

The six MENATF countries face a multitude of transition challenges that developed their own dynamics over the past years. Despite differences across these countries, many challenges are comparable while other challenges are more country-specific, such as the violent conflicts in Libya and Yemen. The following section provides a brief account of political, economic and social developments in the MENATF countries.

Political and economic challenges

The G8 was initially very optimistic when establishing the Deauville Partnership. In its Declaration on the Arab Spring, the G8 states that the demonstrations “…are historic and have the potential to open the door to the kind of transformation that occurred in Central and Eastern Europe after the fall of the Berlin Wall.” However, in most countries, the transition process has been very complicated, challenges turned out more problematic than expected. In some countries, the situation seriously deteriorated into civil war. So far, the political transitions produced mixed results in the region.

The six MENATF countries are confronted with serious economic and social challenges, albeit to a different extent. Real GDP growth in the six MENATF countries has been slow over the last seven years, averaging only 0.61% annually, with high volatility in Libya and Yemen and poor

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performance in Egypt, Jordan and Tunisia. Only Morocco has significantly higher growth rates (cf. Annex 5, Figure A5.2 on per capita GDP growth over time).

Because of slow economic growth, almost all MENATF countries face severe fiscal crises, as governments attempted to smooth the downturn and address problems like unemployment through expansionary fiscal policy and recruitment into the public sector, an approach that has proved to be unsustainable. Job creation has been unable to keep pace with population growth. High unemployment is one of the key challenges that especially affects university graduates who make up 30% of all unemployed persons. Youth unemployment averaged 34% in 2017 in MENATF countries. Finally, female participation in the economy remains another challenge.

The importance of addressing economic conditions to foster inclusive economic growth and improve equal opportunities in the MENATF countries was recently confirmed in an IMF paper (2018). The paper points at the insufficient level of employment creation by the private sector, the small size of the private sector, and the obstacles for women in particular in finding decent employment. Policies that support the growth of SMEs, leverage trade and technology, and improve skills, flexibility and employability of workers are therefore seen as critical. In addition, government’s low performance and accountability suggests reforming of subsidies to enable an increase in spending on infrastructure and social safety nets, combatting corruption and improved revenue raising capacities through wider and more equitable taxes.

2.2 Relevance of the Fund’s objectives and its portfolio for the Region’s and countries’ challenges

Overall Fund relevance
At the Fund’s core are the goals of inclusive economic growth and better governance through country-led policy and institutional reforms, including those focusing on an improved business environment, innovations and new partnerships. This is evident from the Fund’s objectives, particularly the illustrative examples for proposals in the OM (Annex 3). The unifying theme is the Fund’s focus on policy reforms. The four Fund pillars of sustainable growth, inclusive development and jobs, economic governance and competitiveness and integration represent broad and generic development objectives. The illustrative examples proposed under these pillars and the eligibility criteria for technical assistance are equally broad: they have a strong economic and social orientation but also include a few political reform themes, from anti-corruption and accountability, transparency and capacity building for parliamentary oversight and judicial bodies to support for CSOs. The Fund pillars are comprehensive and highly relevant for transition country challenges as they address their economic, social and political needs in transition.

Portfolio relevance
41 % of the 90 projects approved by the Fund addressed the Economic Governance pillar, followed by Sustainable Growth and Inclusive Development (23 and 26 % respectively), and trailed by Competitiveness and Integration with 10 %. With few overall differences across countries, projects in Libya focus somewhat more on Sustainable Growth and in Yemen on Inclusive Development, in Morocco and Tunisia the share of projects in Competitiveness and Integration is somewhat higher than in the other countries, but still low compared with the other pillars.

Despite the broad definition of the pillars and the full delegation of strategic priority setting to TCs and ISAs, MENATF projects ultimately focused on a limited number of themes that are well aligned with its pillars. Between 7 and 14 % of projects are concerned with SMEs and MSMEs support,

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trade and infrastructure, employment, investment policy and business environment and social safety nets and subsidy reform (Figure 2.1). The remaining projects (34 %) concern governance of which half address parliamentary reform, anti-corruption and trade and infrastructure governance.

**Figure 2.1 Projects by theme**

<table>
<thead>
<tr>
<th>Theme</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governance</td>
<td>34%</td>
</tr>
<tr>
<td>MSMEs/SMEs</td>
<td>14%</td>
</tr>
<tr>
<td>Trade and infrastructure</td>
<td>12%</td>
</tr>
<tr>
<td>Investment &amp; business</td>
<td>11%</td>
</tr>
<tr>
<td>Employment</td>
<td>11%</td>
</tr>
<tr>
<td>Banking and Finance</td>
<td>10%</td>
</tr>
<tr>
<td>Social Safety Nets and Subsidy reform</td>
<td>7%</td>
</tr>
</tbody>
</table>

The FSE also specifically examined the relevance and thematic alignment of projects with Fund objectives, country needs and policies, and how well proposed interventions are capable to address these (see Annex 6, Chapter 2). With very few exceptions, all projects were found highly relevant, well aligned and focused. In a few projects, more specific interventions could have been proposed to better address the needs.

Overall, the portfolio of MENATF projects is considered relevant as projects respond well to the needs of the Transition Countries, are well aligned with their policy priorities, and correspond well with the overall MENATF objectives, pillars and themes.

**2.3 Four relevant strategic and operational Fund features**

In addition to its thematic relevance, the Fund has four strategic and operational features that further underscore its relevance and comparative advantage:

- A focus on technical assistance and innovative pilots;
- An orientation towards partnerships, globally, regionally and in countries;
- Reliance on multilateral institutions as ISAs, primarily IFIs; and
- Flexibility in the way its projects are prioritized and implemented.

**Relevance through technical assistance.** There is under-investment in technical assistance (TA)\(^\text{11}\) in the MENA region and very high demand for TA from the transition countries and the ISAs. TCs wish to learn from and with other countries, exchange ideas and jointly identify local reform solutions and pilot them. The FSE country visits and TC comments at the recent DP Senior Officials Meeting in Tunis in June 2018 made this very clear. In the past, there were few grants for TA in MICs in the MENA region, particularly for supporting the work and investments through IFIs. Donors often fund TA bilaterally and MICs in the MENA region usually do not borrow money for TA. The Fund significantly contributed to filling this gap, with good results. Among others, TA is critical to reduce risks and enhance quality for budget support and large infrastructure projects, yet availability is scarce due to phasing of investment loans and the reluctance or inability of MENA

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\(^{11}\) The Fund uses the term Technical Cooperation (TC). This report uses the term Technical Assistance (TA) and the related acronym to avoid confusion with the acronym for transition countries (TC).
Countries to use loans and own resources for TA. The catalytic and leverage effect of a relatively small grant TA can be high.

**Relevance through the Fund’s wealth of institutions and partnerships.** The Fund and the DP offer opportunities for policy dialogue and better cooperation, coordination and integration among its diverse stakeholders. One TC interview partner summarized the Fund as “an excellent platform for finance, wealth of institutions and capacity building”. At high level, the Fund has been a formidable coalition between G7, TCs and Arab donor countries, supplemented through the IFI coordination platform (IFI-CP). The Fund also allowed IFIs and OECD to carry out a much better-informed policy dialogue with TCs in the countries themselves, based on the work and opportunities provided by the Fund projects. Yet, despite many positive partnership effects, the partnership goals of the Fund (and the Deauville Partnership) were not fully realized. Several G7 donors expressed their disappointment during the FSE that there was (i) too little involvement by Arab donors and institutions in the Fund and too much G7 focus, (ii) fewer opportunities for true policy and strategic dialogue than expected and too much pre-occupation with project level details, and (iii) too little regional dialogue, knowledge and learning opportunities, or “cross-walking expertise across countries”, as one donor formulated it. Identity and public image of the Fund are also considered as less sharp than would have been useful for energizing partnerships and more effective fund-raising.

**Relevance through IFIs and other multi-laterals (OECD) as ISAs and associated complementarities.** There are few other channels for ODA that combine the scale of interventions, coverage of countries, sectors and themes and strong and consistent reform, trade and private sector orientation, convening power and institutional memory as the IFIs. In the MENATF, this allowed for complementarities and leverage effects, including through long-term capacity building and learning in these institutions themselves, in partnership with TCs. The Fund also was highly relevant in its support for the extension of EBRD into the region, another tangible outcome of the Deauville partnership, and a success story in several countries (Jordan, Egypt). As shown later the EBRD has been is able to combine its technical expertise and the Fund’s Technical Assistance. OECD involvement has been strategically relevant as it facilitates the adoption and adaptation of international norms, standards and practices in TCs and their integration into the broader global policy, institutional, economic and social communities.

**Relevance through flexibility.** Flexibility and capacity to adjust to rapidly changing conditions are viewed as one of the main comparative advantages of the Fund. The Fund offers good and easy mechanisms to shift budget lines between categories, to extend projects and to restructure them. Responding flexibly is highly relevant and opportune in an unstable region, and in the unstable political climate in many transition countries, not only in conflict. The Fund’s agility also reduces the need to plan everything in advance and to do so perfectly – which rarely is possible in transition environments. Agility could be further enhanced, if some decision-making (such as on extensions and restructuring) could be moved from the Steering Committee to other mechanisms that could be applied more swiftly and efficiently, without losing out on accountability and the right checks and balances.

### 2.4 Relevance and the project selection and approval process

As stated earlier, strategic priority setting for funded projects is fully delegated to the TCs and ISAs. MENATF projects originate via an established procedure defined in the OM. In short, project proposals are submitted and presented by the TCs to the SC following a call for proposals and the SC subsequently approves. Project proposals are usually prepared by the ISAs in a specific MENATF template.
**Transition Countries in the lead**

The process of identifying and submitting proposals is led and coordinated by the MENATF Focal Points in the TCs who are high-level Government officials in the ministries responsible for aid coordination. Four factors determine how Fund projects and REs are prioritized and selected: (i) their relevance for the country’s priorities as set out in long-term strategic development plans; (ii) strategic TC priorities for using the Fund and the availability of other funding sources, as well as political economy aspects of resource allocation; (iii) the interests and complementarities of ISAs; and (iv) orientation towards donor expectations in the SC.

For the more recent Fund projects, relevant multiannual strategic development plans included the Vision 2030 (Egypt), Vision 2025 (Jordan), the 5-year Economic Vision 2016-2020 (Tunisia) and the National Strategy for Employment 2015-2025 (Morocco -amongst others).

Strategic preferences and decision-making processes differ by country.

For Egypt, the MENATF is primarily used to bring technical expertise to the country through ISAs and to support high policy priorities of its Vision 2030 and special presidential initiatives, such as the combatting corruption strategy and the reform of energy subsidies.

In Morocco, the MENATF is particularly valued for supporting the implementation of its new 2011 Constitution and the many reforms this requires. Fund TA also helps filling the knowledge gap among government officials on how to bring about inclusive and equitable development across societal layers and Morocco’s regions. Egypt and Morocco have a consultative approach with ISAs, but a somewhat more centralized decision-making process on Fund projects than Jordan and Tunisia.

For Jordan the MENATF permits access to grant funds for special reforms and pilot testing to address its worsening economic and social situation. Fund projects are also considered highly useful to deepen the dialogue between the Government and ISAs as well as the regional dialogue through the regional projects. Consultative mechanisms with ISAs are being used to prioritize and develop projects and ISAs tend to have a proactive role.

Similar in Tunisia where the Fund is used for a broad range of policy and administrative reforms and particularly in support of private investments. While making good use of the Fund Tunisia would have liked to see more strategic thinking and a sharper definition of Fund objectives at inception and a better link with grant resources beyond TA. This could possibly have avoided several costly restructuring and cancellations of projects in the country and some disappointments about ISA co-implementation in the country.

**A supportive ISA role**

When selecting Fund projects, the TC authorities usually take ISA preferences into consideration. ISA country and TC strategies are normally well aligned due to extensive regular ISA/TC consultations on country programming outside of MENATF. Through its approval process, the Fund has effectively ensured that all approved projects are indeed additional, and preferably complementary, to other ISA operations. The IFI Coordination Platform (IFI-CP) also was useful for this. In many cases, funded projects followed from existing ISA projects, pipelines or programs (TIA Tunisia, EBRD Egypt or the OECD-MENA Governance Programme), which contributed positively to project design, complementarities, leverage and implementation. Risks of reduced country ownership are usually mitigated by actual TC prioritization of proposals and not all ISA prepared projects have been submitted by TCs. In addition, the FSE also learnt that

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12 SME support and LC2 Strategy.
ISAs sometimes suggested projects more opportunistically than strategically and included thematic, pipeline or portfolio development agendas that TCs may not have felt comfortable with, yet eventually submitted. This points again to the importance of a strategic process to determine priority projects well and TC ownership. This is a particularly relevant issue for the identification and submission of regional projects that are usually originating from ISAs themselves (in consultation with the SC), even when they are ultimately submitted by the countries. One of the main reasons for this is that there are few public regional institutions in MENA that could take on such a role and that policy support for regional integration is comparatively low. These projects have not always ensured deep country interest and ownership, which affected results in some of them (cf. Ch. 4 and country notes).

**Donor preferences**

Donors express their own preferences through the SC where they jointly decide with TCs on priorities project selection\(^{13}\). The views of donors and their preferences became increasingly important for TC proposal submission with funds becoming scarce in 2015. With less funding available during the second window (2015-2018) the SC was forced to take tougher decisions and look more critically at project choice, rationale and design.

Until 2014, almost all submitted projects were accepted for funding (see also Ch. 5, Table 5.3), provided that they passed the technical reviews (CU, Roster of Experts and SC) and quality standards. Since the Fund had no clear formal prioritization criteria for selection – with the possible exception of favoring REs that “leverage other supporting relationships” (OM, para. 16) - this process by necessity became somewhat arbitrary. Nevertheless, interviews with donors revealed that donors always had preferences for certain projects, which were discussed among them prior to SC meetings.

Although 79% of SC members indicated in the FSE survey that the Fund was to a “great extent” or “moderately” consistent with the developments in TCs, several of them felt during interviews that Fund projects were too much oriented towards classic economic and general governance such as jobs, private sector and legal reforms than to more sensitive social and political issues, such as combating corruption or expanding the range of recipient institutions to media, CSOs or non-executive branches of Government. Indeed, projects approved after 2014 saw a significant increase in these themes. Such prioritization would be fully in line with the selection and eligibility criteria in the OM, para. 16.

### 2.5 ISA complementarities and contributions in the Fund

ISA strategies in approaching and utilizing the Fund differ across agencies, which affected their contributions to Fund projects. ISA mandates, business models, and organizational structures were important for the extent to which they engaged in the Fund. For instance, not all ISAs have the same experiences and well-tested models to implement TA for policy reforms, the overarching goal of the Fund. Most ISAs have their own official programs and operations in the MENA region that are highly complementary to MENATF projects. For instance, the EIB operates the FEMIP programme\(^{14}\), the EBRD the SEMED programme\(^ {15}\), the OECD its ‘OECD-MENA Governance /Competitiveness Programme’, and the WBG launched in 2015 its new strategy on ‘Economic and Social Inclusion for Peace and Stability in the Middle East and North Africa’.

\(^{13}\) And the Deauville Partnership Capital Market initiative even led to the development of the CSD project in Egypt.


\(^{15}\) SEMED: The Southern and Eastern Mediterranean region comprising Egypt, Jordan, Lebanon, Morocco and Tunisia, is known within the EBRD as SEMED.
The **WB (IBRD)** has linked many of its Fund projects to ongoing policy reform agendas and WB lending and portfolio development with the Governments of the region. The **EBRD** and **EIB** operate their Fund projects in a similar way, but with different levels of engagement. On the one hand, the EBRD used the Fund effectively to successfully establish itself in the region. On the other hand, the EIB (the biggest IFI donor in the region apart from the IMF) was engaged in several country and regional projects, but with limitations. The EIB’s limitations resulted, first, from an extensive internal restructuring process that led to a disconnect between its internal organization and Fund project design; and in addition, from recurrent problems in concluding agreements and implementation arrangements with the TCs. However, the EIB has been pre-disposed to a regional approach since this is its usual model of operation (due to its EU mandate) which led to EIB taking on two regional projects (TransTrac and Logismed).

Largely forgoing investment linkages so far, the **AfDB** and **IsDB** contributed mostly to the implementation of institutional and administrative reforms and innovative pilot projects in this Fund, sometimes in areas without strong alignment to their own institutional or country priorities (AfDB). The AfDB understood the MENATF to mainly address critical policy or administrative reform constraints and bottlenecks rather than investments, at least at inception. The **IFC** did not consider or plan for future private investment lending either, but rather concentrated on advisory services and support for governments through the regulatory and enabling environment for the private sector – but complementary to its own priorities and other services provided in the respective countries.

The **OECD** is not an IFI and has therefore different kind of relationships with TCs. Neither does the OECD have the opportunities for complementary investments nor the fiduciary and project implementation capacities as most IFIs do. The OECD became involved in the Fund because of its regional expertise and its capacity to build institutional linkages with the G8 and other OECD member countries and to help establish common global norms and regulations in TCs. Due to its operational limitations as a non-IFI, its engagement in the Fund is more focused on diagnostic studies and capacity building that are always carried out through ISA executed project components. Most projects with the OECD approved before 2015 were co-implemented with other ISAs, with some good results and well received reports by TCs, but also recurrent problems in inter-ISA coordination and country follow-up. By contrast, the OECD took on almost one-third of all projects approved in 2015 or later (and 14 % of funding during that period), among them two regional ones.

The remaining three ISAs never gained much ground in the Fund (**AMF, AFESD, OFID**), contributing to only one or two projects each. Overall, the different ISAs had different levels of contribution and presence through MENATF projects in the TCs. The World Bank clearly had the highest share of the number (39%) and volume (49%) of projects in the Fund in line with its significant role in TCs and high demand from the TCs for its services (Figure 2.2). Three other ISAs had shares of more than 10 % in the number of projects: AfDB (15%), EIB (13%) and OECD (13%).

Some ISAs, like the EIB, the World Bank and the OECD have a rather even coverage with projects in all, or almost all countries. Other ISAs focus on fewer countries like the EBRD that only covers Egypt and Jordan (in this Fund), the AfDB that has Fund projects in Egypt, Tunisia and Libya, and the IsDB with projects in Yemen and Tunisia. Finally, the remaining ISAs (OFID, AMF and AFESD) play a relatively small role with very few projects and limited country coverage.

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16 FSE was also the one Agency singled out by the MTR as being difficult to contact which is confirmed by the FSE.
2.6 Fund responsiveness

The context, in which the Fund operated has been changing considerably since 2011, was overall worse than anticipated, and the Fund itself encountered fund-raising constraints in 2015. The envisaged transformation got derailed. The Fund and its projects were responsive and adapted in multiple ways.

The most dramatic events took place in Libya and Yemen with these countries’ descent into full-scale conflict in 2014. Other countries experienced the influx of large numbers of refugees (Jordan), increased terrorist attacks (Tunisia and Egypt) and continued social unrest (Tunisia, Morocco and Jordan). Limited administrative capacity due to political, social or economic crises reduced performance in several TCs and the willingness and political environment for implementing sensitive reforms has often been low. Above all, the transition itself was far less clear and conclusive than had been expected. Partly due to the latter and the slow-down of momentum, the Fund had considerably less cash on hand during its second three-year period (2015-2017) than before.

2.6.1 Response to conflict

As a result of the conflicts, the SC significantly reduced approval of projects in Libya and Yemen after 2014. Only three projects were approved in Yemen after 2014 and one in Libya in 2017, starting from an already relatively low base. In addition, three projects in Yemen were cancelled by the Government (cf. SCM 9) and after heavy debates the SC reallocated funds to the continued project on Business Resilience Assistance for Value-adding Enterprises (BRAVE) that managed to keep operations ongoing due to a committed Recipient Entity (RE) and IsDB’s less stringent security requirements than those of the WB. Maintaining ISA presence in Yemen and Libya, continuing the policy dialogue and facilitating re-engagement were in the end more important than the temporary difficulties with implementation on the ground. So far, this strategy seems to have worked well with several successfully operating and completed projects in Libya and Yemen that adjusted their operations and maintained capacities, and prepared the conditions for faster and stronger reengagement (Libya).

Based on the FSE desk and phone interviews and analysis of six sample projects in Libya and Yemen, MENATF projects seem to have adapted to emerging needs imposed by conflict (Box below). In some cases, however, this incurred unavoidable cost overruns.

Response to conflict was also facilitated by ISAs’ long experience in working in fragile and conflict-affected situations (FCS) even under dire circumstances. AfDB, for instance, drew on its Transition Support Facility and IFC on its program for Conflict Affected States in Africa (CASA), both
operational since 2008. Even when the WB cannot directly supervise projects in FCS due to internal security policies, it can effectively support such projects from neighboring countries (for example projects in Libya are supported from Tunisia) or continue project implementation remotely through third-party implementation or supervision (for instance the WB maintains over USD 1 billion worth of project in Yemen by cooperating with UN Agencies).

**Box: Projects in Libya and Yemen**

In Libya, several MENATF donors ended up working with three governments instead of one as originally foreseen. For the AfDB (Leading the Way project) this meant that work plans and approaches were updated upon RE request to provide more training sessions. These changes also required three no-cost extensions. The WB Libya Electricity Sector Reform project was restructured and had its methodology changed to continue the preparation of an action plan for reform and performance improvement of the Libyan electricity sector. In addition, the WB organized reverse missions in Tunis. These were not planned in the original design and subsequently put a lot of pressure on delivery as they came along with a significant cost increase. The project was successfully completed in 2017. The new WB Libya strategy entirely relied on MENATF projects, including also the financial sector and health projects. In Yemen, all MENATF projects had to change part of their focus and activities due the developments in the country. For instance, the Micro-Finance support project (MFI) shifted more towards cash transfers when the war broke out, as this was the best way to operate in crisis management.

2.6.2  *Response to implementation capacity and reform constraints*

Many Fund projects faced low Government execution capacities, high senior staff turnover, inertia, and lengthy administrative processes (to be further elaborated in Ch. 3). This caused significant delays in project implementation. In other cases, there was low willingness or capacity to reform, due to the socio-political context in TCs, vested interests, and other complications in introducing reformed policies, systems and processes. The opportunity provided by the Fund for extensions and restructuring under these circumstances beyond project control is much appreciated by all stakeholders.

54 of the 90 MENATF project have been extended. Almost half of these projects have been extended more than once, while two projects were extended four times (Leading the Way in Libya and the Energy Reform Plan TUNEREP in Tunisia). One quarter of all projects were restructured (20 projects, not counting those cancelled), one project even twice (Reliable Water Quality in Jordan). Restructuring refers to major changes in project design or shifts between budget lines that allowed to respond to emerging realities on the ground. Restructuring also allowed to better concentrate the projects on specific windows of opportunity rather than maintain initial overambitious and unrealistic design goals.

Another mitigation strategy to implementation related and contextual problems in TC was to rely more on ISAs. The share of ISA executed projects increased after 2014 from 55% to 76%.

**Box: Case study EIB**

Delays in project implementation made restructuring necessary. The long duration of signing the agreement on the EIB implemented TRANSTRAC project in Egypt rendered several activities obsolete as the Ministry of Transport had changed its priorities in the meantime. Hence, new activities were formulated to ensure the alignment with the latest government priorities. For that same project, activities were cancelled because of the war in Libya, as it proved less relevant and safe to conduct studies in the border region with Libya. The funds originally reserved for the cancelled activities were subsequently allocated to new activities.
2.6.3 **Response to decreasing Fund resources**

In 2015, slow receipts of pledged contributions from donors limited the number of new projects and approved proposals. This was partly dealt with through a mechanism introduced in May 2013 that allowed projects to be approved conditional on cash availability. Secondly, the lifetime of the Fund was extended three times to allow donors to commit to their pledges and raise the remaining funds to achieve the Fund target of USD 250 million. And thirdly, the number of approved projects decreased from 53 in 2012-2014 to 37 in 2015-2017 with the average project size decreasing by one-third (from approximately USD 3.2 million to USD2.4 million on average). Many submitted project proposals were not approved, or only partially approved.

Correlated to the decreasing funds, but not necessarily causal, was the significant increase in projects covering the governance pillar and governance themes: Before 2015, the Fund’s growth, inclusiveness and governance pillars had an equal number of projects (28% each), but of the 2015-2017 approved projects 59% covered the economic governance pillar. And thematically, within the governance theme, the projects covering parliamentary reform and anti-corruption gained ground (plus 6 of 17 in the sample projects).

2.6.4 **Response of the Steering Committee**

Most decisions on adapting to changing conditions were taken by the Steering Committee or at project level by TCs and ISAs in an-hoc and organic way, with SC debates taking place when necessary.

Although many initial conditions and anticipations for the transformation in TCs changed, the Deauville Partnership never revisited the Fund’s basic rationale and approach. There was no formal strategic reassessment of the situation when it became clear that the expected pathway had considerably changed. There were some strategic discussions in the Fund’s SC meetings in 2014 when a common results and M&E framework were discussed and introduced, but they were dealing mostly with measuring results across the Fund’s projects rather than with its strategic direction. Similarly, the 2014 MTR and its TORs were more concerned with Fund operational and fund-raising prospects and challenges than strategic responses to a rapidly changing context. Under the German G7 co-chair lead attempts were made to sharpen the Fund’s strategic focus, among others in order to facilitate fund raising, but with limited success. Some strategic options were also suggested at that time and as well in 2017 through the IFI Coordination Platform but without deep and formal analysis.

The reason for the limited strategic re-orientation and guidance by the DP on this question is not quite clear to the FSE (and beyond the TOR of this FSE), However it appears from interviews that the need to hold together a large and complex coalition of partners with different interests, the lack of immediate prospects for substantial additional resources, annually changing G7 leadership in the Fund, and the complexity of the task all played their part. It is fully realized that the DP itself was called upon in this case and not the Fund Steering Committee.
3 Effectiveness and results

Main findings on effectiveness and results
Most MENATF projects achieved or are well on track to achieve their Project Development Objectives. The FSE rated 41% of projects as satisfactory and 51% as moderately satisfactory. Only 8% were found moderately unsatisfactory. The FSE ratings on effectiveness correspond well with those of the latest project progress reports.

The main factors contributing to well-performing projects are good quality at entry, country ownership, and high quality of project management. An unfavorable political and economic environment, complexity of project design, unrealistic outcomes, and low support from senior decision-makers negatively affect performance.

The FSE found evidence for MENATF projects to contribute to reforms. Transformative effects (TE) were found in almost all projects, but their scale depended on project objectives, scope and maturity. TE were especially evident in the area of innovation as projects introduced new thinking and technologies.

Almost all projects show results in sustainable knowledge and capacity, about one third of them very important ones. Leverage of investments already took place in 38% of projects so far, mostly through WB, EBRD and EIB.

Regional integration and learning through MENATF projects have been disappointing. ISA execution of regional projects tends to diminish country ownership. REs would prefer more opportunities for systematic exchange and learning from experiences across countries and projects with similar topics.

3.1 Introduction

In this chapter, the evaluation reviews significant results and overall project effectiveness achieved by the funded projects and their transformative effects. Outputs and outcomes for each of the sampled projects and their transformative effects are reported in more detail in the six country notes, including more specific factors that contributed to their performance.

Caveats
It is complicated to identify and aggregate results across the MENA Transition Fund for several reasons. First, common project, outcomes and indicators were not defined in advance for all projects, except for some common output and results indicators that were retroactively identified at mid-term. The lack of a clear strategic direction of the Fund and the full delegation of priorities to TCs and ISAs led to a broad variety of project development objectives without few common indicators. Second, attribution of outcomes and ultimately impact, even when they were defined, is often difficult. Many funded projects were carried out in the context of larger efforts, implemented by the same ISA or with partners. Other projects may require complementary activities beyond the scope of the MENATF. Third, the majority of projects is still on-going and many important results have not yet materialized, some are about to happen at the time of writing. Fourth, assessing the magnitude and quality of results and the relative importance of specific results in each project inevitably comes along with biases.

Given the long-term character of reform processes, it is too early to assess Fund impact. This was also pointed out by many interview partners. Policy reforms, institutional changes and
improvements in business environments, inclusiveness and innovation are long-term trajectories that will only bear fruits much later. Pilot projects will require to be mainstreamed or upscaled before real impact will be felt. Impact also depends on supportive environments, political will and efforts to ensure proper utilization of outputs and outcomes from MENATF projects, many of which are factors that the project has no control over.

**BOX: Effectiveness and Transformative Effects**

Effectiveness is a generic indicator that compares project specific objectives and targets (PDOs and intermediate results indicators) with what has actually been achieved so far. The evaluation reviewed 37 Fund sample projects and rated the effectiveness of 37 of them. The effectiveness assessment is largely comparable with that of progress towards achievement of objectives, the indicator rated in the regular progress reports. **Transformative effects.** The evaluation also reviewed and rated to what extent the projects have worked towards outcomes that strongly signal achievements or good prospects for transformation. These transformative effects reflect some of the main Fund objectives and higher-level outcomes.

The difference between the assessment of effectiveness and that of transformative effects is that project effectiveness is closely related to what the projects are committed to achieve **according to their specific PDOs and results indicators.** The assessment of transformative effects indicates whether and how much each project contributed to these common higher-level outcomes.

### 3.2 Results reported by the Fund

All project outputs and outcomes are semi-annually reported in the individual project progress reports and in a summarized form by the CU for the Fund through the common results indicators framework (CRF). There is broad agreement that due to the difficulties of aggregating outputs, and outcomes across the Fund the CRF only partially summarizes the major Fund outputs and outcomes. The FSE was specifically asked to look more closely at the reported cross-cutting outputs of the common results framework.

This concerns:
- 43 regulations or laws endorsed or entities, units or systems established;
- 150 studies, assessments, reports, action plans, roadmaps, models of good practices or frameworks endorsed across all pillar areas; and
- 5,026 public sector staff trained in various aspects.

This chapter presents the assessment of TEs triggered by the outputs of each project.

Beyond these cross-cutting outputs the CRF also selectively contains output and outcome indicators by pillar. For instance, for **sustainable growth,** the latest progress report of June 2018 notes more than 625 businesses supported and substantial numbers for increased access to finance (across 4 - 9 projects). For **economic governance** 367 government units reportedly received assistance and 12,500 CSOs, women or youth groups were engaged or empowered (10,500 from one project and the remainder distributed across 12 other projects). The indicators for **competitiveness and integration** on 130 improved trade transactions just rely on a single regional project. For **inclusive development and job creation** 47,620 individual were reportedly trained to improve employability or self-employment (in 4 projects) and 147 new employment opportunities were created (in a single project) and enhanced targeting of 388,109 households of social safety nets (more than 90 % of which come from a single project). The FSE was able to validate a number
of outputs and outcomes of the CRF during its project assessments, others were more questionable.

It is widely acknowledged by Fund stakeholders that these common results statistics are problematic in terms of the indicators themselves, differences of interpretation of indicators across projects, and attribution. For instance, several indicators are not referring to results but are lower output or even activity indicators. Indicators also do not reflect the projects well in their totality, as the CRF is based on common existing indicators in project results frameworks for its design and not all projects report on the common indicators. At the time of CRF design other systems were proposed but this is the system that the SC opted for among three choices in 2014.

3.3 Project effectiveness

The FSE found that most MENATF projects achieved or are well on track to achieve their Project Development Objectives. 34 out of the 37 sample projects (or 92%) of projects were rated either satisfactory or moderately satisfactory, with 41% rated as satisfactory\(^\text{17}\) (Figure 3.1) Only three projects, or 8%, were moderately unsatisfactory.

![Figure 3.1 Effectiveness for total sample (% of 37 projects)](image)

**Correspondence with project ratings**

In most cases, the evaluation ratings correspond well with those of the latest project progress reports (June 2018). But there were also some differences\(^\text{18}\). They are mainly due to the way project outcomes have been formulated in these projects, differences in judgment of the relative importance of certain outputs and outcomes by the evaluation and the project managers (arguably arbitrary), and considerations of external contexts. The FSE did not find any major, deliberate misrepresentation of project outputs and results.

**Effectiveness across countries, ISAs and execution type (ISA or TC)**

When compared across countries, Egypt fares better than projects in the other countries with the highest satisfactory ratings (A) for 5 out of 8 projects (62%) (Annex 6, Ch.3, Figure A6.11). The way

\(^{17}\) Note that this is done on a 4-step scale including A=satisfactory, B=moderately satisfactory, C=moderately unsatisfactory and D=unsatisfactory.

\(^{18}\) The following projects were rated somewhat more positive by the evaluation team than the latest progress report ratings suggested: Egypt Clearing & Settlement Depository System; Morocco Micro-Entrepreneurship for Youth; Tunisia Set-up of Tunisia Investment Authority; Tunisia Energy Reform Plan; and Tunisia Effective Tax System Design. The projects that the Evaluation found slightly less well performing in terms of results were Egypt and Morocco: Women’s participation in parliaments; Morocco Improving Connectivity; Tunisia PPP; Tunisia Affordable Housing; and Jordan Competitiveness and Investment. Detailed reasons and justification for differences are to be found in the country notes and they are summarized in Annex 9.
projects have been strategically prioritized and selected by the country plays a major role. Morocco
has 2 of its 8 sample projects (or 25%) rated moderately unsatisfactory (Connectivity and Women in
Parliament) but is otherwise doing well. These low ratings follow from ISA execution and relatively
low country/RE ownership. Nevertheless, projects in Libya appear to be effectively implemented. In
Yemen, the partial cancellation of a World Bank project due to conflict affected that project’s
ratings, but two other projects are well carried on.

There are some differences in effectiveness across ISAs, with more favorable ratings for the EBRD
and IFC, followed by the AfDB, World Bank and the IsDB (Annex 6, Ch.3, Figure A6.12). Because
of the high variation of projects per ISA and contextual differences imposed by the TCs, far-
reaching conclusions cannot be derived. The effectiveness of projects appears to be more driven
by country context and whether projects are ISA or TC executed than by ISAs themselves. The
OECD for instance, has a more limited role in the Fund than the IFIs due to its mandate, but the
FSE found its outputs in co-implemented projects often quite satisfactory. Several OECD
implemented projects are, however, affected by its limited country presence.

TC executed projects are herewith more effective than ISA executed ones, with more projects being
satisfactory, especially highly satisfactory (47 vs. 35%) (Figure 3.2).

### Figure 3.2 Effectiveness across TC/ISA execution

<table>
<thead>
<tr>
<th>Effectiveness (TC Execution)</th>
<th>Effectiveness (ISA Execution)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A = satisfactory</td>
<td>A = satisfactory</td>
</tr>
<tr>
<td>B = moderately satisfactory</td>
<td>B = moderately satisfactory</td>
</tr>
<tr>
<td>C = moderately unsatisfactory</td>
<td>C = moderately unsatisfactory</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Category</th>
<th>TC Executed</th>
<th>ISA Executed</th>
</tr>
</thead>
<tbody>
<tr>
<td>% satisfactory</td>
<td>47%</td>
<td>33%</td>
</tr>
<tr>
<td>% moderately satisfactory</td>
<td>5%</td>
<td>11%</td>
</tr>
<tr>
<td>% moderately unsatisfactory</td>
<td>47%</td>
<td>16%</td>
</tr>
</tbody>
</table>

### 3.4 Explanatory performance factors

Multiple enabling and detracting factors affect project implementation. These are often project and
context specific (see country notes for details). The FSE synthesized and graded major
performance factors for each project (Figures 3.3 and 3.4), including project design, implementation
and external influences.19

**Enabling factors**

The main enabling factors for performance are good quality at entry and country ownership, which
played a role in roughly half of all projects (46%), high quality of either ISA or country/RE project
management (41-43%) and commitment and ISA ownership (32%). In addition, in many cases,
committed political leadership and support are of high importance, just like realism of intended
outcomes and project restructuring contribute to positive performance. Finally, a favorable socio-
economic and political environment and supportive regional dialogue positively influence
performance.

**Detracting factors**

Factors that negatively affect performance are a clearly unfavorable external political and socio-
economic enabling environment (54%) and the complexity of project design (41%) combined with

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19 Methodological note: Not each of these factors was rated in each project. Ratings were only done when interviews and
documents review revealed a major influence of the respective factor.
unrealistic outcomes (30%). Other factors with negative impact include the quality of RE project management (27%) and low support from senior decision-makers (24%). Complex procurement processes, sometimes governed by two sets of rules (those of ISAs and the TC), were found as limiting performance in some countries (and 24% or projects, particularly in Tunisia and Jordan). They often affected the recruitment of experts and consultants that play a large role in MENATF project implementation. Procurement problems with services strongly contributed to delays in Fund projects.

Factors by execution type (ISA or TC)
According to the data good RE project management, country ownership and project restructuring are of higher relevance for project success in RE-executed projects, while ISA-executed projects suffer less from a poor political and socio-economic environment than TC-executed projects. ISAs in general, encounter significantly fewer detracting problems, most importantly in procurement, and they clearly have a significantly higher quality at entry. However, weak political leadership in countries affects ISA performance, too.

Figure 3.3 Enabling factors for performance (% of projects where this factor played a role, out of 37)
3.5 Transformative effects

Transformative effects (TEs) were assessed for five outcome categories: (i) country-led and owned policy reforms; (ii) institutional reforms, through administrative and structural changes and new procedures; (iii) private business enhancement; (iv) innovation; and (v) inclusion, i.e. gender, youth, lagging regions as well as attention to environmental concerns.

The evaluation also looked at two supportive factors for achieving TEs: (i) sustainable knowledge and capacity; and (ii) leverage by the project of follow-up investments, public and private. The category of ‘Sustainable knowledge and capacity’ often constitutes important transformative change effects of its own, particularly when fundamental changes in people’s attitudes, mentality and behaviors are achieved. This is difficult to measure, though.

**Box: Mapping and rating transformative effects**

The FSE mapped transformative effects for all sample projects, by rating the extent to which the projects either already show some clear TEs (actual effects), or such outcomes are likely to happen in the future (potential effects). A four-scale ratings measure was used (0=no effect or close to none, 1=some effect, more marginal or just emerging, 2=important effect, and 3=very important effect). When defining transformative effects and related indicators the evaluation took care those actual effects that are already clearly noticeable, such as in laws passed or institutions and capacity generated, and potential, likely future effects are separated. Please see Annex 2, Definition Transformative Effects for more details.
Findings

Many projects produced multiple TEs, often through different project components (Figure 3.5). Most Fund projects have TEs in two or three categories (24 out of 36 projects). In addition, there are ten projects that have some TEs in four or five categories.

**Figure 3.5 Projects with transformative effects (% of 37 sample projects)**

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovation</td>
<td>73%</td>
</tr>
<tr>
<td>Administrative and structural changes; institutional reforms</td>
<td>59%</td>
</tr>
<tr>
<td>Business enhancement</td>
<td>51%</td>
</tr>
<tr>
<td>Inclusiveness (gender, youth, lagging regions) and environment</td>
<td>46%</td>
</tr>
<tr>
<td>Country led and owned policy reforms</td>
<td>43%</td>
</tr>
</tbody>
</table>

Innovation clearly is the area with the highest number of projects with TEs: 28 out of a total of 37 sample projects, or 73%, show some positive and innovative TEs. Projects indeed introduced new thinking and technologies and go beyond business-as-usual. For instance, several projects in Tunisia, Jordan and Egypt introduced the concept of systematic targeting, targeting instruments and links across social support programs in social assistance, including electronic MIS and unique household identifiers. In Morocco, innovative e-portals allow the public to engage more strongly with the government, on petitions and motions processes and in the e-budget portal. A truly innovative online waste exchange platform was generated in Egypt, providing 44 start-ups with coaching and mentoring services in waste-management and working on a technology incubator. Furthermore, the concept of virtual market places for SME export businesses was promoted in three countries, which included intensive institutional development support and international partnership promotion.

Other TEs are already discernible in roughly around half of the examined sample projects. 21 projects (59%) had such effects through institutional reforms (administrative and structural changes) compared with 15 (43%) projects that achieved some policy reforms.

In terms of institutional reforms, TA was instrumental for enhancing the business processes and capacity of Tunisia’s Tax Authority to achieve compatibility with international standards and ensure more tax transparency for FDI. Jordan launched a new integrated IT system for public inspections and after years of work consensus was reached on how to move forward with reforms. The Moroccan Government created a multi-year budget strategy for line ministries and made major advances in piloting a model of decentralization and de-concentration of public service delivery, with concrete examples being implemented in urban transport in Rabat and Casablanca. In Egypt, the new Central Bank Clearing and Settlement Depository (CSD) system is about to take off to establish a modernized way of handling government debts and attract foreign investors as it mitigates risks for investors. Furthermore, new units for Energy Efficiency and Micro-finance were set up in Government.

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20 Tunisia: Investment Authority and Green Economy; Morocco: Governance framework and Micro-entrepreneurship; Egypt: Green growth/Industrial waste management, Energy/SSN, Clearing and Settlement Depository System and Inclusive Regulations for Microfinance; Jordan: Support to Active Labour Market Program; Yemen: Enterprise Revitalization and Employment project.
The range of TEs through policy reforms is demonstrated by the passing of the 2016 Investment and the 2015 PPP laws and related decrees with Fund help in Tunisia; a legal framework for citizen consultation, participation and petitions in public affairs in Morocco; and inclusive regulations of the micro-finance sector, including consumer protection guidelines in Egypt. Also in Egypt, the energy project paved the way for establishing a targeted social safety net and contributed to a new energy pricing method. Finally, in Libya, the recently completed electricity sector reform project set solid foundations for strengthened sector governance (the latter not yet completed).

19 projects (51%) had significant TEs to enhance businesses, either through directly supporting them, as in the case of many SME/MSME projects, or through improving the business environment, through policy and regulatory changes, institutional support or key connectivity and infrastructure investments. More specifically, TEs for business development were achieved through extensive institutional and knowledge support to the Jordan Investment Commission to become more attractive for FDI, with a similar project in Tunisia for the new Tunisia Investment Authority. At the micro-level, models were tested and successfully developed to better equip government and CSOs in Morocco to deliver effective self-employment support services for existing businesses and start-ups by young entrepreneurs. In Egypt, an ongoing SME project expanded its operations to specifically work with women entrepreneurs (and achieved more than planned). Youth entrepreneurs were supported in the Egyptian recycling sector and young business and youth were well coached in Tunisia to work in the emerging green economy. Importantly, in the absence of a functional government in Yemen two SME focused projects linked private enterprises better with Banks and enhanced cash availability, training and capacity building through a motivated partner on the ground.

16 out of 37 projects (46%) achieved some TEs on inclusiveness. Examples in Morocco and Egypt demonstrate the range of TEs in inclusiveness: two projects in Morocco worked with disadvantaged youth, one of them helping with establishing and legally registering at least 2,600 microenterprises after delivering an entrepreneurship training package to close to 7,000 youth, 49% of whom were women. Another project placed 105 young people in the German hospitality industry through vocational training and network building. In Egypt, business women received more support and so did a group of young entrepreneurs and university graduates on waste management. A successful micro-finance project helped 813 CSO micro-finance institutions to obtain licenses. Manuals were produced for CSOs and political parties to prepare women for taking on leadership positions.

Most TEs are either important or very important but with high variations between TE categories (Figure 3.6). Between 20 and 30% are marginal or just emerging.

Figure 3.6 Magnitude of transformative effects (number of 37 projects)
Many, or even most, of these projects did not only deliver outcomes as listed above, but their most important TEs come from generating new ideas and tested approaches that could be mainstreamed and up scaled.

The scale of TEs varies considerably per project. TEs are likely to differ in projects supportive of a nationwide policy or regulatory reform from projects that seek to create more specific administrative changes or pilot projects that try to identify good models for replication.

**Potential future transformative effects**

As many projects are still ongoing, the above figures underestimate the potential TEs of the Fund’s projects. The FSE also reviewed what transformative effects are expected to happen but have not yet materialized (see Annex 6, Ch.3, and Figure A6.15).

### 3.6 Transformative effects in other projects

In addition to the sample of projects studied in-depth, the evaluation team also examined TEs in a sample of 28 additional projects through a simplified review process. Those projects were added that showed outputs for the CRF’s crosscutting indicators 5.1.1. **Documents produced and endorsed** and 5.1.2. **Decrees issued or structured established** and had not been included in the in-depth sample.

Projects in this added sample were predominantly approved after 2014 and more strongly governance related than those of the in-depth sample. For this reason the transformative effects most often identified are related to policy reforms (68%), followed by institutional reforms (54%) (Figure 3.7). Innovation was identified for the smallest proportion of projects (43%). However, the difference between the number of projects for which these effects were identified is relatively small – 19 projects had policy reform effects and 12 had innovation effects. In addition, many policy reforms were innovative as such, for instance through promoting new inclusive processes for obtaining business licenses in Egypt or new ways of public service delivery in Tunisia.

![Figure 3.7 Projects with transformative effects in additional projects (% of 28 projects)](image)
Almost all of these projects are still under implementation, but they already produced significant actual contributions to policy reforms, although the magnitude of these effects was somewhat lower than in the first sample (Figure 3.8). Transformative effects include measures to ensure an open government in Jordan, anti-corruption policies in Egypt and Morocco, and support for design and implementation of economic and social reforms in Tunisia. Other projects with a clear policy reform component focus on social housing in Egypt, enhancing the business environment and investment climate in all countries except Libya and social inclusion such as the regional projects on women in decision making in Jordan and Tunisia and youth in Jordan and Morocco.

The development of these policies is often flanked by institutional strengthening. Several of the foreseen institutional reforms have already materialized, as is the case with the Anti-Corruption Agency in Egypt or the launch of the Open Government Coordination Unit at MOPIC in Jordan in January 2018. Other institutional reforms take longer. The members of the National Youth Council in Morocco for example, still need to be appointed by the King.

3.7 Transformative effects by country and by ISA

3.7.1 Transformative effects by country

Comparing TEs across countries shows that Egypt is particularly strong on policy reforms followed with some distance by Tunisia and Libya (Annex 6, Ch.3, Figure A6.16). This category of TEs plays less of a role in Morocco and Jordan. Administrative and structural changes are slightly more noticeable in Egypt and Morocco than in the other countries and lowest in Libya and Yemen. Yemen has good TEs in business enhancement, and so do Egypt and Tunisia. Morocco has shown to be the strongest in innovation followed by Egypt and Jordan. Inclusiveness TEs are particularly high in Morocco given the large number of projects on inclusive governance reforms and targeted youth SME and employment-oriented projects. Inclusiveness TEs are rather low in Tunisia and Jordan.

3.7.2 Transformative effects by ISA

TEs also vary by Implementation Support Agencies. EBRD, IFC and AfDB achieve the highest scores in policy reforms, relative to the number of their projects, similarly as in the category of administrative and institutional reforms. The World Bank is significantly higher in this category than in the one of policy reforms (Annex 6, Ch.3, Figure A6.17).\(^{21}\) Achievements in business enhancement are most noticeable for IsDB, EBRD and IFC. Scores on innovation are very high (above 60%) for half of the ISAs, that is IsDB, EBRD, IFC and the World Bank, whereas the

\(^{21}\) Note that for OECD only those projects are shown where it is the sole ISA. Given their expertise however, the OECD’s contribution to policy reforms is likely to be higher when taking into account their role as secondary ISA.
number of successful inclusiveness results and TEs are particularly strong for IsDB, OECD and the World Bank.

3.7.3 Transformative effects by execution type

TC executed projects show consistently higher TEs across all categories than ISA executed ones, between 8 and 35 percentage points (Figure 3.7). This finding demonstrates the trade-off between fast execution (more likely through ISAs) and generating TEs (more likely through TCs).

![Figure 3.9 Projects with transformative effects – by execution type (% of 36 sample projects)](image)

3.8 Supportive factors for transformative effects: Knowledge and capacity and investment leverage

**Sustainable knowledge and capacity**

Almost all projects (34 out of 37) show important results in sustainable knowledge and capacity that could be indirectly supportive of transformation. In 10 out of these projects knowledge results are very important, in 19 they are important and in five they are marginal (Figure 3.9). These may consist of flagship documents and reports, changed peoples’ minds or debates on the subject, or even led to actions. They also may refer to important trainings, workshops, study tours etc.

It is difficult to assess in every project to what extent such knowledge transfer was indeed an outcome and capacity-oriented. According to the interviews, the quality of knowledge transfer varied a lot between projects. Several projects supported high-quality training and capacity building (see Box), whereas the quality of capacity building, training and follow-up was reportedly not always very high. Training often simply consisted of workshops and conferences without sufficient depth, exchange and follow-up. While interest and motivation are often boosted through such events, they require continuation through other forms of training and knowledge exchange to have lasting impact.

**BOX: Experiences with sustainable knowledge and capacity**

In Morocco capacities were very successfully improved in the Overseas Job Opportunities project through better know-how, systems and partner linkages in the execution agencies in charge of the job placing; in the Connectivity project through organizing a public-private dialogue around a diagnostic report on developing entrepreneurship and business climate; and in the New Governance project through improved capacities of public financial management (PFM), investment management (PIM) and fiscal transfer and
equalization systems for local governments. Other Moroccan projects delivered key diagnostic studies, training and training material that were thought provoking and led to (sometimes controversial) debates around new concepts and models among recipient entities and others, particularly in the Women’s participation in parliaments and the Regional Affordable Housing projects.

In Jordan, the WB/OECD support project for the Jordan Investment Commission (JIC) delivered a host of knowledge products, action plans and capacity building activities, of good quality. But it was also noted that due to major reorganization, leadership changes and staff rotations this knowledge was not always well applied and used. And there was little focus on linking knowledge provision to some ultimate outcomes – which admittedly was difficult. Critics pointed to the limited usefulness of capacity building in private sector support unless such knowledge is coupled with real regulatory reforms in the sector.

In Libya strengthening capacity has been a particular priority as public institutions are being put back together from scratch. Several trainings were successfully delivered, on tariff design, renewable energies, leadership, and a tailored 5-day flagship workshop in health management of 50 participants with international participation, conducted in Tunis.

The Tunisia Investment Authority and the Tax Reform projects offer excellent examples of effective capacity building, through systematically training staff in REs on international systems and innovative best practices, through high-quality internships in international organizations, international study tours, and on-the-job training, all linked with regular follow-up.

**Figure 3.10 Projects with knowledge and leverage effects (% of 37 sample projects)**

<table>
<thead>
<tr>
<th>Sustainable knowledge and capacity</th>
<th>Leverage of investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>92%</td>
<td>38%</td>
</tr>
</tbody>
</table>

**Figure 3.11 Magnitude of knowledge and leverage effects (number of 37 sample projects)**

<table>
<thead>
<tr>
<th>Sustainable knowledge and capacity</th>
<th>Leverage of investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>6</td>
</tr>
<tr>
<td>19</td>
<td>4</td>
</tr>
<tr>
<td>5</td>
<td></td>
</tr>
</tbody>
</table>

**Investment Leverage**

The leverage of investment through Fund projects is a classic indicator of Fund complementarity. Several MENATF projects facilitated or triggered additional finance and investments, through the public and private sector, in some cases initially planned. Not every ISA pursues leverage of investment and this was also not an explicit Fund objective. So far, the FSE found major investment leverage in 14 projects (or 38% of all sample projects) and there are another 10 projects with concrete expectations for future investments. Leverage mostly consists of loans to the Government by the respective ISA and in some cases through Fund TA serving as triggers for release of budgetary aid by other donors such as the EU but also through private sector investments. Among 22

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22 Please note that this leverage indicator is different from the one used in the Fund progress reports that indicate the resources leveraged for the purposes of co-financing the Fund TA project.
the ISAs, the World Bank, EIB, EBRD, IFC and IsDB already leveraged investments through their Fund projects (Annex Figure A6.20). The World Bank is the institution with the by far highest absolute number of Fund projects that leveraged additional investments (9). Future investment potential is also considered and likely in several AIIB and IsDB projects. Leverage effects occur particularly in Morocco, Libya, Jordan and to some extent in Egypt and Tunisia.

**BOX: Examples for leveraging additional resources**

In Morocco the New Governance project was instrumental in informing and developing the two tranches of the Hakama DPO (2013 and 2016; at USD 200m each) to enhance open governance, accountability, fiscal management and regionalization. And there are good prospects of leveraging two other WB loans through the Fund projects: a USD 200m project (identification phase) to maximize the impact of the Nador port on the local economy (Connectivity project); and, second, a USD 300m loan for Municipal and Agglomeration Support (pipeline) for scaling up the MENATF Local Government project.

In Egypt, the Fund’s Energy reform/SSN project helped pave the way for a USD 400m targeted social safety net program and in Libya, the Fund’s Energy project is setting the scene for two upcoming World Bank lending operations; this is also one of the intentions of the Fund’s ongoing Libya health sector project.

In Jordan, the first approved MENATF project on Water Quality was part of the EBRD entry into Jordan as an international donor; and in the end the EBRD has been an incredible success story for the country with more than USD 1b invested, 80% of which for the private sector. Also in Jordan, the National Unified Registry (NUR) project helped the National Aid Fund to move from a small program to size and to better target its social programs. One of the triggers of ongoing budget support from the EU is conditioned on the NUR system under development and the project also helped with the design of a new World Bank DPL to further support the process of targeted subsidies.

All three sampled projects in Yemen have important private sector leverage effects as they all include a form of matching from the private sector. In the case of the BRAVE project, this was above the targeted 50%. Scaling-up of both the BRAVE and the Micro-finance crisis support project is highly likely (through additional donor funding).

### 3.9 Transformative effects and lasting impact of reforms

Qualitative interviews undertaken for this FSE revealed the most important factors to achieve TEs and lasting impact. The three most frequently mentioned ones were:

1. **Strong project ownership by the Government or the ISA, and preferably both** (in line with the earlier findings in section 3.2);
2. **Links of the project to a larger priority reform initiative, such as a major sector or subsidy reform, institutional restructuring etc. or long planned public or private investments and related IFI loans (pipeline projects) and complementary efforts that sometimes predate the MENA Transition Fund**;
3. **Clarity on the path from diagnostic study to transformative effects, including good provisions for project sustainability, mainstreaming and upscaling**.

As reform paths usually are not linear and many factors exist that are outside of projects’ control each project needs to be clear about the critical and selective contribution that a relatively small MENATF TA grant can make to major reforms and how to maximize these effects. Reportedly, many projects were not necessarily set up and thought through this way, particularly the early ones, with relatively vague PDO indicators and underlying assumptions.
Reforms, communication and social consensus

The post-Arab spring period offered a special window of opportunity for reforms, more inclusion, innovation and transparency. Up till today, severe economic hardships, continued entrenched interest, a financially constrained environment exacerbated by security problems and conflicts made it all the more difficult for countries to pursue tough and fair reforms in the TCs.

Due to a higher public awareness and sensitivity, reforms can no longer be carried out without adequate and concerted support from the population, particularly in settings with increasingly consultative, democratic and inclusive processes. Several interview partners emphasized that reforms must always be about good communication and a broad consensus and, in some cases, a new social contract.

It is not sufficient to address political problems with economic solutions that may work in the long run but hit people in the meantime.

Some Fund projects were found to pay good attention to more transparency, consensus building and reducing the short-term pain of reforms (such as the Energy Subsidy/Social Safety Net project in Egypt), at least for parts of the population which made them highly relevant and effective.

Arguably, elements of communication, advocacy and consensus building are not yet sufficiently utilized in Fund projects.

3.10 Performance of regional and pilot projects

Regional projects

The regional projects deserve special attention since they have the potential to generate synergy and dialogue across the TCs. So far, results are mixed and mostly country specific. All regional projects are ISA implemented, which tends to reduce the ownership in countries (although they are submitted by TCs to the SC), with few exceptions where there is good cooperation with local counterparts (as in the SME/VMP project). Fewer cross-country activities take place than many participants had hoped for, although value-added of taking, a regional approach is usually recognized. Cooperating partners in TCs are missing more opportunities beyond meetings, for instance through systematically exchange experiences and knowledge technical working groups.

Among the four regional projects in the sample the ongoing Women in Parliament (OECD) project has been courageously implemented but with varying effectiveness in the four covered countries; due to sensitivities around the subject matter and limited project ownership. The completed Support for SMEs through Virtual Market Places project is a well-designed and highly innovative pilot project for Jordan, Tunisia and Morocco with interesting results and motivated teams, many lessons to share and well backed up by the UN International Trade Center (ITC) in Geneva. But it would need some more time to deliver at scale. Relatively slow take-off and limited results were found for TransTrac (EIB), mainly due to lengthy contracting procedures between the Governments and the EIB. The design of the regional Affordable Housing project in Morocco and Tunisia is ambitious and technically complex, had to start from a low level of knowledge and has found it difficult to achieve real outcomes so far. But it has positively changed the discourse and public debate in the countries. The AMF component has not yet materialized.

Pilot projects

Pilot projects are in a somewhat separate category (10 out of 37 sample projects were considered as pilots or containing a major pilot component). They are often innovative and risk-taking and less well performing than non-pilot projects, particularly in their initial phases. This was for instance the
case in Jordan, where three pilot projects had difficulties to take off (Active Labor Market, National Unified Registry and SME through VMP). Not all pilot projects have a convincing final evaluation stage during which effective strategies could be developed on how to share, mainstream and upscale their experiences, even in the rare case where an impact evaluation was done (Jordan Active Labor Market project).

3.11 Sustainability, mainstreaming and scaling-up

Sustainability and mainstreaming are important aspects in many Fund projects.

Sustainability, and to some extent mainstreaming and upscaling, were being addressed in 27 of the 37 sample projects (73 %), with important measures taken in 18 projects to assure sustainability, very important measure in 5 projects, and marginal measures in 4 projects. This still leaves at least 10 projects without clear sustainability strategies.

Project sustainability often relies on complementary or follow-up investments, projects, or on institutionalization within Governments and recipient entities. In other cases, projects strategically emphasize intensive individual or on-the-job training, in other cases institution building. Some projects reviewed paths to self-sustained resource mobilization for institutions, such as in the Tunisian Investment Authority and the Jordan Investment Commission. Certain pilot projects provide some very positive examples of training of staff that would ultimately become self-employed and use its acquired skills in private practice and advisory services.

Finally, the evaluation also found several pilot projects where more could be done not only to ensure sustainability, but to enhance mainstreaming and upscaling of piloted activities. The required final diagnostics and impact studies are sometimes done, but not always followed up.
4 Efficiency and partnerships

Main findings on efficiency and partnerships
The majority of Fund projects have been good value-for-money, but often come along with lengthy delays. Efficiency was rated satisfactory or moderately satisfactory in 71% of the cases, with 30% as moderately unsatisfactory.

There are four reasons for slow Fund project implementation: the gross underestimation of efforts and time it takes to bring about real reforms in a challenging political, administrative and socio-economic environment; low capacity, know-how and incentives by many RE managers and staff in Fund projects; lower priority of Fund grants in RE and ISA project manager portfolios than for loans; and the high turnover of senior-level civil servants and political leadership in ministries and REs.

The Fund facilitated a significant number of new partnerships among organizations that were not traditionally working together. Most partnerships happened within projects through bringing together representatives from different REs. There was little cooperation with other MENA transition fund projects or cooperation at country level.

Cooperation between ISAs in co-implemented projects was cordial but less effective than expected and largely discontinued after 2014.

4.1 Efficiency: Delays, extensions and overall value-for-money

Definition
Efficiency entails an assessment of quality of management and service delivery, of timeliness and inputs were economically converted into results (“value for money”). Disbursement is one indicator of efficiency, among others. Ratings of efficiency take into consideration contextual administrative and other processes and systemic problems existing in the country or region that are outside of project control. It should be noted that this efficiency indicator is somewhat different from the progress report indicator of overall implementation progress. It is less of a snapshot assessment of current performance but tries to cover the whole project period until now.

Findings on efficiency
By above definition, the evaluation finds that the majority of Fund projects have been good value-for-money, but often coming with long delays (four important reasons for these delays and other inefficiencies are summarized below). In terms of efficiency, the FSE rates the projects either satisfactory or moderately satisfactory in 70% of the cases, with 30% as moderately unsatisfactory (Figure 4.1). The country notes of this evaluation provide more background and explanations on the ratings.
4.1.1 Four main factors for efficiency

The evaluation identified four critical sets of factors for slow project implementation, delays and extensions: (i) due process and context, (ii) administrative setting, (iii) commitment and prioritization, and (iv) stability and continuity, or rather lack thereof.

Due process in view of a challenging reform environment. The main factor for low efficiency appears to be a gross underestimation at design of the efforts and time it takes to bring about reform results in a challenging administrative, political and socio-economic environment, particularly in doing so while ensuring country and RE ownership. Furthermore, there are real trade-offs for TC ownership which is reflected in the fact that many ISA funded activities are done faster. The fact that the delays and relatively slow disbursement are relatively uniform across most countries, ISAs and other project categories, such as pillars, is testimony to this.

Administrative setting. Administrative procedures and procurement in TC REs are often especially time-consuming for the Fund’s TA projects, particularly for the recruitment of experts and consultants. Capacity and know-how of many RE managers and others involved in Fund projects is often not geared towards project management and administration, and many counterparts in funded projects were reportedly often unfamiliar with IFI procedures as they had little exposure and experience with IFIs in their usual work. Lack of incentives to move fast also played a role. Many projects and REs were found to have no single designated project manager or project management unit, with multiple departments and entities being involved in the project. Secondly, civil service issues are a major constraint in transition countries this can only be resolved through fundamental civil service reform. Third, as mentioned earlier, dual procurement procedures in some countries complicate matters, particularly in Tunisia and Jordan).

Commitment and prioritization. TA activities funded by the MENATF are reportedly not always taking the highest priority in work portfolios of both ISA and RE project managers. There are certain preferences and incentives for preoccupation with loans in comparison with grants that are considered as ‘safe and easy money’. But strong ISA and RE commitment and ownership are the most important factor to ensure efficient implementation, often in the context of complementary projects or high prioritization by Management. Pipeline projects and good integration of MENATF projects with past or ongoing complementary activities can help with good project design and efficiency.

Stability of key decision-makers and institutions. The turnover of high-level senior civil servants and political leadership in Ministries and other REs is often very high. This important factor has already been prominently featured in the Fund MTR. It affects, first, the ownership of certain Fund
activities and preferences for what funds should be used for, be they reform related or related to piloting; and, secondly, administrative processes that in many cases require high level signatures due to limited delegation of authorities. In other cases, restructuring of agencies and ministries has been contributing to major delays and changes in direction (such as in the TUNEREP project in Tunisia). High turnover is not confined to senior level staff, but also affects middle management and staff in REs. High turn-over in project managers has also been observed for ISAs in some of the projects. All this affects institutional memory and efficiency.

Stakeholder concerns about delays
There is concern among many MENATF stakeholders, particularly among donors, about the Fund projects’ efficiency, and particularly about project delays, extensions and slow disbursements, which are indeed important co-indicators for efficiency. The validity of these concerns should be tempered by the fact that the environment in transition countries turned out to be not very conducive, due to frequent changes in governments, political and economic upheavals and civil war, etcetera. Indeed, almost all Fund projects are taking a relatively long time to execute which contributed to the very low initial disbursement at the beginning of the Fund. In most cases of the sample projects, the Evaluation found specific and valid reasons for delays as explained above.

4.1.2 Efficiency across project categories
In terms of countries, Morocco was most often rated highly efficient in managing its projects, with almost two thirds, or 5 of 8 covered sample projects, receiving a fully satisfactory rating (A), followed by Egypt with 4 out of 8 projects with an A rating, and compared with only about a third of projects with such a rating in the other countries (Annex 6.4, Figure A6.22). At the other end, Libya was rated most often marginally unsatisfactory (C), due to high costs and some delays (affecting two out of three projects there). Tunisia and Morocco also had several projects each that were rated marginally unsatisfactory.

Among ISAs, EBRD, IsDB and IFC have the highest percentage of combined satisfactory and marginally satisfactory ratings for efficiency, at 100% each (i.e. no unsatisfactory ratings), followed by the World Bank (74%) (Annex 6.4, Figure A6.23). OECD has one project rated highly efficient, the other marginally unsatisfactory. AfDB has 40% satisfactory and 60% marginally unsatisfactory. The single sample projects by EIB and OFID have been rated marginally unsatisfactory, each.

Comparing efficiency between ISA and TC execution shows a slight efficiency advantage for TC execution, with fewer unsatisfactory projects in this category (Figure 4.2). This is at first sight somewhat surprising as many FSE interviews suggest that in general ISA execution helps with faster disbursements. However, average disbursement figures ISA and TC execution are in fact very close, 56 vs. 55 % (Figure 4.6). ISA execution is also often associated with situations where TC REs are less reliable, overall TC project ownership is lower, and where it is more difficult to produce results (which is part of value-for-money).
4.1.3 Disbursements

Figure 4.3 presents the average levels of disbursements to MENATF projects for each year of approval (similarly presented in the CU 2017 progress report). The figure shows that the level of disbursement increases with project maturity, from the upper 60s for the majority of projects approved in 2013/14 to 22% for eight projects approved in 2017. In terms of disbursements by country, Tunisia has the lowest disbursements as it faces considerable administrative and procurement problems (Figure 4.4). Egypt and Morocco are better performing, but less well than Jordan that has many projects that went comparatively smoothly and are already completed, although it also has severe procurement problems in some other projects. Libya and Yemen have the highest disbursement rate due to their special circumstances. In Yemen several projects were cancelled and in Libya disbursements moved ahead relatively unimpeded since the ISAs involved are very motivated in re-engaging in the country, costs are high (which leads to high disbursements), and projects are exclusively ISA-executed.

Average disbursement by ISA differs, but is often more related to the countries where these ISAs work than to their own procedures or prevailing execution type (Figure 4.5). A case in point is the AfDB that only has projects in Tunisia and Egypt, countries that are both at the bottom of disbursement performance. Interestingly, across the Fund, disbursements are remarkably similar for ISA and TC executed projects (Figure 4.6). There is no simple correlation between execution type and disbursement.
4.2 Partnerships

The Fund encouraged partnerships between entities external to the ISAs and the government, such as CSOs, media and the private sector (OM, para.16). Fund projects indeed facilitated a significant number of new partnerships with other organizations that were not traditionally working together, in 18 projects, i.e. 49% of all sample projects (Figure 4.7). There are however, relatively few CSOs among them, with the exception of CSO collaboration in Morocco. In general, the Fund did not fare well with bringing in non-traditional partners. Most important partnerships occurred within projects (in 31 out of 37 projects, or 84%). Here the Fund often brought together different actors that had previously hardly any interaction and communication, such as Ministries or other Government entities.
The FSE found little evidence of cooperation by funded projects with other MENA Transition Fund projects (in 19% of all projects only), neither in the same nor in other countries (with the exception of some regional projects that were designed to do so), even when they were working in the same thematic areas, such as social registry and enhanced targeting. Altogether only four projects had such interactions. It was noted, however, that project proposals had to systematically prove additionality to what is already done in their respective countries to avoid duplication of efforts (as for instance in the more recent Tunisia Gas project and the OECD and EIB SME activities in Jordan).

Figure 4.7 Frequency of partnerships mapped across the 37 projects

The FSE generally found little evidence of special Fund project coordination or cooperation at country or regional levels, between projects, ISAs or Res. This had been a recommendation of the MTR and for which OECD had indicated a facilitation role in 2014 (virtual SCM meeting). The IFI coordination platform was mainly active at a higher policy level and facilitated general coordination and information exchange. It had neither the mandate nor the resources to ensure more MENATF coordination in countries. Most coordination between ISAs and Government on the Fund – apart from project implementation – took place in the regular Government-donor mechanisms.

According to the Fund OM, the IFI Coordination Platform (IFI-CP) has the tasks of (i) facilitating information sharing and mutual understanding, (ii) coordinating monitoring and reporting on the implementation of the Deauville Partnership, and (iii) identification of opportunities for collaboration on financing, technical assistance and policy and analytical work. Objectives of the IFI-CP as outlined elsewhere also include facilitation of operational dialogue with partner countries (including governments, civil society and private sector).

For the MENATF the IFI-CP has been mainly useful (i) for exchange of information and some coordination at high-level of IFI projects and investments to avoid duplication; (ii) contributions in MENATF SC meetings and representing to some extent the ISA group; and (iii) some formulations of occasional proposals on strategy options for the Deauville Partnership (and implicitly the Fund). The IFI-CP has been less successful in getting involved at country or regional activities.

A stock-taking report of 2011-2017 (November 2017) members of the IFI-CP note among the challenges faced to the effectiveness of the IFI-CP (i) the lack of a relevant mandate from the DP as well as of financing from donors; (ii) the lack of a vision in the new (i.e. 2017) context of the MENA region and the DP; (iii) limitations on the topical (i.e. thematic) and country coverage of the Partnership; and (iv) low interest from transition countries and therefore IFIs in engaging. Other constraints apparently include existing other coordination platforms, particularly in countries, and its current level of equipment and institutionalization for purposes beyond the immediate requirements as the DP secretariat.

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5 Fund Governance

Main findings on governance

The governance structure of the MENATF remains highly appreciated by the various stakeholders. The SC effectively exercised its oversight function, the CU provides much appreciated support and in most projects there was good cooperation between ISAs and REs.

The World Bank performs three roles as a Trustee, CU and ISA in the Fund. Several measures allow the Bank to perform these roles independently of each other.

The Trustee delivered regular reports to the SC that demonstrated effective and efficient management of Fund resources.

The Fund mobilized a total of USD 242.4 million as of June 2018, therewith almost achieving the initial target of USD 250 million. USD 29 million was mobilized since 2015, almost all from G7 countries, except for USD 5 million from the Netherlands.

The costs of operating the MENATF remained below 10%. SC, Trustee, CU and indirect ISA costs are at 8.6% of total Fund allocations. Communication campaigns pushed costs only a little. ISA costs for implementation support may have been somewhat underestimated due to frequent project extensions and restructuring.

As of June 30, 2018, a total of USD 8.7 million were still available to support SC funding decisions before Dec. 11, 2018.

5.1 Governance and organizational arrangements

5.1.1 Introduction

The MENATF is a Financial Intermediary Fund (FIF). FIFs are Trust Funds with a particular governance structure. For the MENATF, its governance structure is laid down in the Operations Manual (Ch.5). Key actors at Fund level are the Steering Committee, the Coordination Unit and the Trustee, with projects being implemented by Recipient Entities from the Transition Countries and the Implementing Support Agencies (ISAs). There are also some other institutional aspects of governance, such as the Roster of Experts (RoE) for review of projects prior to SC submission, that are of interest.

Governance of the MENATF was already assessed in the MTR, among others through a survey among SC members and among project managers from REs and ISAs. This survey was repeated for the FSE, permitting to assess changes in perceptions (for detailed responses and a summary analysis of the two surveys see Annex 10). The number of individual respondents to the survey increased in the FSE from 49 to 79.24 Questions in the survey were slightly different for SC members and RE and ISA project managers, with the former more oriented towards general governance questions, and the latter towards operational questions.

24 The FSE received completed surveys from 20 SC members and 59 responses from RE (21) and ISA (38) project managers.
5.1.2 Main findings

As in the MTR, the FSE found a consistent high level of praise for almost all aspects of operation of the MENATF as a regional FIF. The MENATF has not experienced any significant dissatisfaction with the originally designed governance structure. The MTR attributed the success of the MENATF, at least partly, to the Fund’s original design, the early effort made in 2012 to develop all the relevant policies, and procedures as a single package that reflected lessons of experience with other FIFs and that involved all the stakeholders. The FSE concurs with this assessment.

Overall governance structure. Over 85% of donors, TC and ISA representatives rated the Fund’s governance structure as effective or highly effective in the FSE survey. This is a positive response, and only slightly lower than in the MTR (93%).

Steering Committee. The SC is the sole decision-making institution and comprises representatives of donors and TCs as well as observers from the Secretariat of the DP IFI-CP, a representative of the Trustee, the Executive Secretary of the Steering Committee, and ISAs. Observer members do not have decision-making power.

FSE interviews revealed much appreciation of the SC meetings as these were considered useful platforms for direct exchanges between Western donors, Arab governments, ISAs and others (the number of platforms for such exchange is very limited). In addition, the meetings stimulated extensive plenary debates. Similarly to the MTR there were varying views on the effectiveness of SC meetings. One observer noted that the plenary debates were both a strength and a weakness of the SC: Whereas discussions on project proposals and project progress were certainly very fruitful, discussions on project approvals were sometimes less harmonious, particularly after the available funding decreased and donor’ opinions differed from those of ISA and TC representatives.

Several interview partners missed more debates about the strategic orientation of the Fund. Finally, the SC streamlined the different approaches of the ISAs towards reporting and informing donors of their intent to extend or restructure their projects.

Coordination Unit. The CU fulfils mainly an advisory role to countries and ISAs, and provides implementation support for SC decisions. Despite its limited size, which was with 1.5 FTE kept to a minimum, the CU appears to have been able to perform its tasks well. Both the survey and the stakeholder interviews revealed a high level of appreciation for the CU and its work. Several comments in the survey pointed specifically at its commitment to the Fund, the effective support of the CU for the design and restructuring of projects, its quick response to requests for information, and the high level of quality of the CUs feedback to ISA and RE project managers. The CU was also praised for its supportive work during interviews with various stakeholders undertaken for this FSE.

ISA and RE performance. Interviews with ISAs and REs during the country visits already demonstrated a broad mutual trust and respect. This mutual appreciation was confirmed by the survey in which project managers from ISAs and REs were asked to judge each other’s effectiveness and communication. When comparing the results of the FSE survey with the MTR survey, the mutual appreciation is rather continuous. In practice, effective cooperation and communication between REs and ISAs varies between the projects. ISAs pointed at the frequent changes at working level and in the political leadership of REs as negatively affecting cooperation. More stable working relations would have benefited cooperation. At the same time, the ISAs acknowledge that such stability hardly can be expected in transition countries. REs moreover, pointed at the various extents of support provided by ISAs in project management and procurement procedures. According to REs, project implementation generally benefit from more enhanced
support from ISAs, particularly for those projects that were cancelled (one example was the Tunisia Leadership Project, although the ISA claims to have tried its best). It also was pointed out that projects that were implemented by multiple ISAs were not always a good experience in terms of cooperation (such as the Tunisia tax reform project). This appears to be a valid concern.

Roster of Experts. The MTR already pointed out that the use of the Roster of Experts (RoE) for the assessment of project proposals has been a logistical challenge for the CU. Since some ISAs, due to differing disclosure policies, do not share pipeline information in advance, leaving very limited time (two work days) for the CU to perform its functions including contracting qualified experts available to review proposals. This resulted in varying levels of quality of expert opinions. Nevertheless, there is strong support for this part of the governance process from ISAs and TCs who feel that the RoE comments were often helpful and resulted in improved project design, and from donors who feel the reports have been helpful in supporting their decision-making. Given the problems several projects faced with design, such as complexity and focus of projects, the process and scope of reviews by the RoE deserves more attention in future endeavors. This also concerns their role in ensuring aggregation of project specific information on results and risks for the information of the SC. Therefore, dedicating more time and information available to the CU to prepare for the review process is essential.

Risk. 53% of surveyed SC members (Donor, TC and ISA representatives) thought that the Trustee, the CU and the ISAs were giving adequate attention to risk. This is a slightly lower response than in the MTR when almost 60% of respondents selected this answer.

5.1.3 The roles of the World Bank in the Fund

A special aspect of governance concerns the role of the World Bank in the Fund. In the MENATF, as in a number of other FIFs, the World Bank serves as Trustee, manages the Coordination Unit, and plays an additional role as an ISA. Some stakeholders expressed concerns during interviews as well as in the survey about how the World Bank performs these multiple roles independently of each other. These concerns referred to the fact the World Bank carries out a relatively large proportion of MENATF projects. In addition, it was not always immediately clear to them which World Bank representatives played which roles when met during SC meetings. The evaluation noted that these concerns were often, but not exclusively, expressed by stakeholders who became involved in the MENATF more recently. These perceptions deserve attention as they may affect commitment to the Fund and hence may require the World Bank to inform stakeholders more thoroughly about the nature of the Bank’s involvement in FIFs like the MENATF.

The World Bank governance roles in the MENATF were established in full agreement with the donors, Transition Countries, and IFIs participating in the Fund, partly based on the extensive WB experience in more than 20 other FIFs, including many where it fulfils similar simultaneous roles. In the MENA TF - as in other FIFs in which the Bank is involved - potential conflict of interest risks were considered by the World Bank Board of Directors at entry, together with appropriate mitigation measures.

For the MENATF these mitigation measures included the following:

1. The different roles of each key MENATF actor, including the roles of the Trustee, the CU and the ISAs, are laid down in the Operations Manual approved by the Steering Committee and made available to all key partners and the public. These arrangements are reflected, as applicable, in the contribution agreements between the Trustee and contributing donors and the financial procedures agreements between the Trustee and ISAs;
2. MENATF espouses TC ownership and transition countries submit proposals for projects for approval by the SC. Neither CU nor ISAs have a role in decision making in the SC – this prerogative is with the voting members (donors and TCs);

3. A Roster of Experts provides the Steering Committee with independent technical advice on funding proposals and screens them based on the selection criteria set forth in the Operations Manual. The Roster of Experts consists of a network of experts independent of any institutions involved in the MENATF. The experts are selected by the SC based on recommendations from the CU in consultation with the ISAs;

4. The diversity of parties involved in ultimate decision-making in the MENATF reduces the chance of conflict of interest; there is a high level of SC internal transparency;

5. The CU Secretariat based in the World Bank supports the work of the Steering Committee by serving as a liaison between the Steering Committee, the Trustee, the Roster of Experts, and the ISAs; it does not play a decision-making role. As set forth in the Operations Manual, the CU operates as part of the World Bank under World Bank policies and procedures and is part of the Partnership Unit of the MENA region. The Operations Manual also provides that other IFIs may second staff to the CU, but to date none have decided to do so;

6. The Trustee function is carried out by a different World Bank Vice Presidential unit, separate from the operational unit within the Bank that carries out the Bank’s ISA functions. The Trustee does not have a decision-making role.

The FSE did not find evidence that there may have been a conflict of interest because of the multiple roles for the WB, nor was such evidence presented to the evaluation team.

The FSE team recognizes that there are some inherent advantages for World Bank proposed projects to have a larger chance for selection than those of other ISAs. This includes a strong capacity and rigor of internal procedures for trust-funded proposals, long-term experience in the region and long-standing relationships with governments of the Transition Countries. These advantages and ties appear to be stronger than with at least two of the other ISAs, such as the relative ‘newcomers’ EBRD and OECD. Several interviews with country MENATF Focal Points during the FSE also confirmed a certain preference of TCs to work with the World Bank as ISA in this Fund and specifically on TA. This is mostly related to perceived WB competence in project implementation and to its complementary resources and institutional knowledge. It also relates to the fact that cooperation procedures were easier and better established than with some other ISAs (e.g. EIB). The share of the World Bank in the MENATF also corresponds to its relatively high engagement in policy and administrative reforms in the region compared with that of other ISAs.

The World Bank as ISA in the MENATF had a higher share of projects during the early Fund period (2012-14) than during its second phase (2015-2017) where the Bank’s project share, in numbers and funding, clearly declined relatively to that of other ISAs (Annex 6 Ch.1, Figure A6.8).

5.2 Financial Management and Fund Raising

5.2.1 Financial management

Trustee reports and assessment25

The Trustee delivered regular reports to the SC that demonstrated effective and efficient management of Fund resources. Interviews with SC members indicated high satisfaction with the Trustee. In its reports, the Trustee provided the necessary data on contributions, investment income, funding approvals, cash transfers, funds held in trust and funds available for SC funding

25 All trustee reports can be found here: http://fiftrustee.worldbank.org/Pages/reportListing.aspx?fundName=MENA&folderName=Trustee%20Reports.
decisions. Information also included pending payments from donors according to contribution agreements.

**Cost Effectiveness**

The FSE concurs with the finding by the MTR that after comparison with other similar funds the cost of operating the MENATF were reasonable. The SC, Trustee, CU and indirect ISA costs did not exceed 10% of total project allocations. Table 5.1 shows cumulative project funding decisions by the SC as of June 2018 and Dec. 2014 (the year of the MTR). By 2018, indirect and administrative costs amounted to 8.6%, compared with 8.2% in 2014. Administrative costs increased slightly from 1.2% to 1.8% of total Fund funding decisions, mainly due to a stepped-up communications campaign in 2015/2016 and funds set aside for the FSE.

Table 5.1

<table>
<thead>
<tr>
<th></th>
<th>Dec. 2014</th>
<th>June 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>USD</td>
<td>%</td>
</tr>
<tr>
<td>Projects</td>
<td>157.6</td>
<td>91.8</td>
</tr>
<tr>
<td>ISA indirect costs</td>
<td>11.9</td>
<td>7.0</td>
</tr>
<tr>
<td>Administration</td>
<td>2.1</td>
<td>1.2</td>
</tr>
<tr>
<td>Total</td>
<td>171.6</td>
<td></td>
</tr>
</tbody>
</table>

Unlike in the MTR there were no comments or queries during the FSE on the cost-effectiveness of the Fund governance structure. But ISAs pointed out that due to the frequent project extensions and restructuring in the Fund the actual cost of ISA implementation and supervision often exceeded the indirect cost funding provided, particularly for the World Bank, that has arguably the strictest administrative procedures and quality requirements for trust-funded projects among the ISAs (such as project manager country visits for additional Fund requests).

5.2.2 **Financial sustainability and fund raising**

The Fund almost achieved its initial target to mobilize USD 250 million (Table 5.2). A total of USD 242.4 million was received by the Trustee as of June 2018. Most of this amount had already been pledged (USD 213.4 million) and received (USD 177.7 million) by late 2014. The US were not able to make a planned last payment of USD 10 million in late 2016, for internal reasons during the change of Administrations. This amount would have achieved the full target.

Additional pledges since 2014 were almost exclusively made by G7 countries that co-chaired the Fund in these years (Germany, Japan and Italy), plus a USD 5 million pledge from the Netherlands. There was criticism during the FSE that fund raising had not reached far beyond the G7 countries. Secondly, TCs expressed their overall disappointment that the Fund never extended its initial target and possibly expanded its finance to cover blended investments beyond TA. It is understood that this is a political decision that the Deauville Partnership would have had to make and not the SC.

The OM does not explicitly note where resource mobilization responsibility lies, but in practice, this has been the primary responsibility of the Co-Chairs of the SC and each of the successive pairs of Co-Chairs have taken this seriously. The MTR recommended reinforced resource mobilization and suggested specifically that a small group of donors and even TCs might join in. This did not happen. Despite good efforts by the respective SC Co-Chairs since 2015 and expanded communication efforts in 2015 and 2016, Fund resource mobilization remained difficult.

At the same time however, views on fund raising of survey respondents became more positive. Almost 58% of respondents saw the SC fund raising efforts as effective or highly effective (up from
Yet responses became also more polarized: 16% were of the view that fund raising was not effective or had no view on this compared with only 4% in the MTR. A similar number of respondents (58%) saw the overall resource allocation in line with the Fund’s objectives.

<table>
<thead>
<tr>
<th>Table 5.2 Summary of Pledges and of Contributions Received and Projected June 2018 and Dec. 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>June 2018</strong></td>
</tr>
<tr>
<td>Currency</td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td>Canada</td>
</tr>
<tr>
<td>Denmark</td>
</tr>
<tr>
<td>France</td>
</tr>
<tr>
<td>Germany</td>
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<tr>
<td>Italy</td>
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<tr>
<td>Japan</td>
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<tr>
<td>Kuwait</td>
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<tr>
<td>Netherlands</td>
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<tr>
<td>Qatar</td>
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<tr>
<td>Russia</td>
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<tr>
<td>Saudi Arabia</td>
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<tr>
<td>Turkey</td>
</tr>
<tr>
<td>UAE</td>
</tr>
<tr>
<td>UK</td>
</tr>
<tr>
<td>US</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

1/ The maximum agreed contribution amount is USD 50m, but the contribution at no time exceed twenty % (20%) of the cumulative total of funds pledged by all donors to the Trust Fund.

5.2.3 Impact of financial management and funding uncertainties upon fund effectiveness

The fund-raising situation meant that the total amount of projects approved between 2015 and 2018 was close to USD 70 million, compared with the earlier period of 2012-2014 of about USD 160 million, a decrease by more than 50%. Most of this was financed from donor commitments made prior to 2015. Only USD 29 million were pledged in addition by donors between 2015 and 2017. Some additional funds became available from several cancelled operations, particularly in Yemen and Tunisia. As of June 30, 2018, a total of USD 8.7 million were still available to support Steering Committee funding decisions, part of which is required for continued CU and Trustee support.

The Fund’s financial situation clearly dampened the enthusiasm of TCs and ISAs in 2016 and 2017, although proposals kept being submitted to the Fund. But many more of these proposals were rejected or conditionally approved in 2016 and 2017 than in the earlier periods. For instance, in 2017 less than half (about USD 14 million) of the requested funding amount of more than USD 30 million was approved by the SC: out of 12 projects submitted to the SC only 2 projects were fully approved, 6 projects were partially approved and 4 were rejected. For these reasons, the period of 2016 and 2017 also saw the most combative and sometimes divisive debates in the SC of how to allocate remaining funds. This unmet demand also shows that there has been scope for expanded Fund operations and thus more results and higher effectiveness that were limited by funding availability.

Limited funding in this latter period also means that there were few funds available that could have been or could be used to maximize the impact of successful ongoing or just completed TC projects.
through additional efforts in ensuring their sustainability, dissemination (including broader knowledge exchange between countries), mainstreaming and upscaling.

Last, the fact that project preparation costs were reimbursed for accepted proposals only was not sufficient for ISAs and TCs to embark on and submit more highly innovative and potentially risky proposals, for instance, to include more new target groups as Recipient Entities such as media, CSOs or academic institutions (which was frequently called for by speakers at the early SC meetings). High project preparation costs and risks associated with submission and approval, particularly in the later period, were not conducive to achieve the full range of projects desired by the Fund and may also have affected the quality of design and submitted proposals.

Table 5.3 Project proposals received and approved

<table>
<thead>
<tr>
<th></th>
<th>Approvals</th>
<th></th>
<th></th>
<th>Proposals</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td># of projects approved</td>
<td># of projects conditionally approved</td>
<td># of projects not approved</td>
<td># of proposals received</td>
<td></td>
</tr>
<tr>
<td>SCM1 2012</td>
<td>1</td>
<td></td>
<td></td>
<td>20</td>
<td>Most re-submitted in subsequent SCMs</td>
</tr>
<tr>
<td>SCM2 2013</td>
<td>10</td>
<td>1</td>
<td></td>
<td>11</td>
<td></td>
</tr>
<tr>
<td>SCM3 2013</td>
<td>7 (8)</td>
<td>3 (4)</td>
<td>2</td>
<td>13</td>
<td>One project only partially approved (TransTrac)</td>
</tr>
<tr>
<td>SCM4 2013</td>
<td>6</td>
<td>3 (4)</td>
<td></td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>SCM5 2014</td>
<td>10</td>
<td>1</td>
<td></td>
<td>11</td>
<td></td>
</tr>
<tr>
<td>SCM6 2014</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>No funding available</td>
</tr>
<tr>
<td>SCM7 2015</td>
<td>6</td>
<td></td>
<td></td>
<td>6</td>
<td></td>
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<tr>
<td>SCM8 2015</td>
<td>8</td>
<td>1</td>
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<td>SCM9 2016</td>
<td>6</td>
<td>2</td>
<td>10</td>
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<td>Two regional projects approved with several country projects each</td>
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<td>SCM10 2017</td>
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6 Conclusions and recommendations

6.1 Conclusions and Lessons

This independent full-scale evaluation of the MENA Transition Fund focused on implementation quality, results and relevance. The evaluation covered a diverse project portfolio and set of Implementation Support Agencies (ISAs) and Transition Countries (TCs) over a relatively short time. Few funded projects are completed. With these caveats in mind, the evaluation comes up with the following conclusions, lessons and recommendations.

Conclusion 1: MENA Transition Fund projects are largely effective and the Fund had significant leverage and catalytic effects through its choice of intervention modalities, implementation agencies and partnerships.

Emerging transformative effects of MENA Transition Fund projects are already visible in many areas, despite unfavorable political, economic and administrative circumstances faced in the transition countries. In addition, the Fund contributed to a well-appreciated, high-level policy partnership forum of diverse stakeholders for continuous dialogue on transitions, complemented at technical level by the DP IFI Coordination Platform, and better informed in-country policy dialogues. Other potential synergistic Fund and partnership effects are less clear, particularly on Fund related country cooperation, contributions to regional cooperation, integration and public goods, as well as on knowledge exchange and learning across projects.

The assessment of whether and to what extent the Fund’s development objectives were achieved is difficult. The overall Fund objective is formulated in a very broad way “To improve the lives of citizens in transition countries and to support the transformation currently underway” with equally broad Fund impact areas of sustainable and inclusive economic growth and strengthened governance and public institutions. There are no Fund wide indicators or targets for what would constitute Fund achievements and success. Moreover, poor, social and economic trends in the region and overall relatively slow reform efforts may suggest limited success of transitions, and implicitly of the Fund.

Any assessment of the achievements of the Fund’s development objectives should take into account the political volatility in the region, the pace with which the Fund was established to assist the six countries as quickly as possible in their transition processes, the long-term character of these transition processes, and the limited size of the Fund as a result of the disappointing contributions from donors and IFIs. This will contribute to proper understanding of the achievement of the Fund’s development objectives on the long run and offers the possibility to capitalize on the Fund’s experiences.

Conclusion 2: The delegation of project implementation to the Transition Countries themselves positively contributed to country ownership and reforms. Conversely, a majority of MENA Transition Fund projects were ISA executed, which positively contributed to administrative process, in particular TA procurement, but reduced country ownership and limited reform impacts.

Project prioritization and implementation by Transition Countries themselves contributed to more relevant projects, slightly more efficient project implementation, and more substantial transformative effects. The MENA Transition Fund included ten diverse implementation partners, nine IFIs and the OECD. Among them were - as part of the DP coalition - three partners that are relatively closely linked to
Arab donors (OFID, AMF and AFESD) plus the IsDB that is working mainly in the Muslim world. One of the comparative advantages of the MENATF is that it made good use of the institutional strengths and complementarities, such as thematic and country experience but also leverage capacities, of these IFIs and OECD. However, not all partners were equally equipped to propose Fund projects and implement them as their size, experience, mandate and operational capacity were highly diverse which showed in the number of projects they implemented, leading the World Bank to capture a share of 49% of the available MENATF funds.

ISA expertise has not always been optimally used, particularly for cross-project and partnership-oriented activities in the Fund and for working with a broader range of partners, within and beyond the region.

**Conclusion 3:** Despite well-developed quality-at-entry procedures at ISAs and an established review process through the Roster of Experts in the Fund, the quality of project design was often sub-optimal, in particular during the Fund’s early phase.

Project proposals were developed in line with established internal ISA procedures and standards. Nevertheless, the quality of project design was often sub-optimal, in particular during the Fund’s early phase. These quality problems were mainly caused by relatively short periods between calls and submissions, funding uncertainties and problems with technical reviews (through the Roster of Experts - RoE). Project preparation costs were only reimbursed for approved projects. The technical review process at Fund level was constrained by time, process, and scope of TOR for the RoE.

MENATF projects were ultimately selected and proposed to the SC by the Transition Countries with support of the ISAs. In principle, the delegated process of TC responsibility for project submission has worked well, although more attention could have been paid to institutionalize upfront agreements and strategic priority setting among TCs and ISAs at country level to identify real windows of opportunity for reforms, avoid opportunistic ISA or RE project submissions, and better define impact pathways and contribution of TA to such reforms, including complementary investment opportunities.

**Conclusion 4:** The Fund and its projects often lacked an accurate understanding and formulation of transition pathways in the MENATF countries, which potentially hampers the Fund’s sustainable impact on reforms in these countries.

Sustainable reform impact and transformation through Fund projects not only depend on strong TC/ISA ownership and links with priority reform initiatives and complementary lending, but also on the clarity on the reform path starting from diagnostic study, through possible pilots, high level policy decisions and law-making to ultimate impacts. Reform paths usually are not linear and many factors are outside of projects’ control. Windows of opportunity open and close and flexibility is central. In addition, projects need to be clear as to how to strategically select and maximize their contributions. This requires an excellent understanding of impact pathways, a theory of change, change management and choice in a political economy. As public awareness and sensitivities have risen, reforms also increasingly require transparency, communication, a broad consensus, and in some cases new social contracts.
Conclusion 5: The lack of political leadership of the Deauville Partnership resulted in the Fund’s strategic ambiguity, a lack of identity and limited possibilities for fund-raising.

Initial decisions by the DP on Fund scope and strategy, the focus on TA, and about partners and the range of ISAs were taken politically. The major themes of policy and administrative reforms and promoting private investments were clear, but many details were not, including the extent of support for a more inclusive and democratic transition versus economic and governance reforms. Hence, the Fund also never developed a clear independent identity that could be propagated in the TCs. As a result, many stakeholders missed a stronger initial strategic analysis and focus, even in the TCs themselves.

While TC project ownership and delegation of implementation procedures to ISAs have been effective and important principles in the Fund, such a demand driven, fully delegated approach need not be at odds with the Fund’s strategic focus. The latter could have been better formulated and communicated at Fund level to ensure Fund identity and coherence, thematic coverage and balance.

Speed and agility were important in 2011, to design and operationalize the Fund and swiftly come up with an initial portfolio of projects. However, the lesson here is that this also led to the above-mentioned trade-off and to a number of projects that were not well prioritized or designed. The Fund ultimately managed to alleviate some of these problems in projects through its flexibility in extensions and redesign, but the DP did not manage to address the Fund’s relatively weak identity (particularly in countries) and its strategic focus at Fund level.

In hindsight, more efforts should have been made, at inception stage or later, to ensure a more effective balance between delegation of responsibilities and common Fund objectives through better strategic analysis. This includes the introduction of a common Fund-wide results framework at the earliest opportunity to facilitate project design and reporting to the SC.

Both the SC and the IFI Coordination Platform presented strategic plans to better anticipate on the emerging transition pathways in the different countries and to stimulate fund-raising. These plans were not supported by the DP. Neither did the DP enhance its political support for the MENATF in the subsequent period or contributed to the collection of the remaining pledged funding.

By 2015, donor interests had moved on to other emerging topics and modes of operation, and the Fund did not yet have many results to show. In retrospect, it might have been better to either redefine the Fund rationale and objectives to set the stage for a strengthened Fund-raising drive. However, there was no support for that from the DP at the time. Without this major calibration the capacity and donor willingness to raise more funds after 2014 was very limited as the early momentum was lost.

Conclusion 6: The Fund proved to be flexible and responsive both to external and internal challenges but could have benefitted from more institutionalized strategic guidance.

At Fund level, the outbreak of violent conflict in Libya and Yemen caused a diversion of funding to other MENATF countries while maintaining some projects considered feasible to survive. At project level, extensions and restructuring were applied to anticipate on delays and limited implementation capacity at Recipient Entities in the TCs.

Despite the transition process being more complicated and challenging than expected, the DP never formally revised the Fund’s basic rationale, objectives and approach. The fundamentally
changing initial conditions and early anticipation of transformation in the region only paved way for some reflections that followed from the MTR and the German G7/Egypt co-chair leadership in 2015.

Although many projects were still approved and implementation continued in the period after, the work could have benefited from more strategic focus and clearer and better defined technical project selection criteria to avoid many resource allocation debates when funds became scarce. However, a more proactive approach was not supported by the overarching political and strategic guidance of the DP. It also suffered from the complexity of the task and the lack of institutionalized strategic support.

One of the lessons is that future Funds should better institutionalize and build in stronger mandatory strategic reviews after three or four years of operation, that could thus set the stage to respond to changing conditions and learn from experiences thus far or otherwise lead to its conclusion, at least of its commitment phase.

Conclusion 7: The Fund’s objective to foster partnerships was only to a limited extent achieved. As a result, learning and regional synergy effects across MENATF projects were relatively weak.

Achieved partnerships, learning and regional synergy effects across the Fund projects were relatively weak. Better country coordination and regional exchange at operational level particularly across similar projects as prominently recommended in the MTR never took off. There was no funding and no clearly mandated institutional mechanism. Few projects linked up with models within or beyond the region, or included new entities in project or beyond, as had been suggested through the OM eligibility and SCM meetings. The main added partnership value happened at the policy and SC level, as well as the IFI coordination platform (IFI-CP). However, the IFI-CP was not able to support anything similar at the operational Fund level.

Conclusion 8: The organizational arrangements in place resulted in effective governance of the Fund

The governance structure of the MENATF is effective: The SC effectively exercised its oversight function, the CU provides much appreciated support and in most projects there was good cooperation between ISAs and REs. The Trustee delivered regular reports to the SC that demonstrated effective and efficient management of Fund resources.

Several points of attention on governance nevertheless emerged from the evaluation. First, the SC became more engaged in project management to streamline the different approaches of ISAs towards reporting and informing donors of their intent to extend or restructure projects. At the same time, several interview partners missed more debates about the strategic orientation, which would have to be initiated by the DP. While the SC was certainly correct to create a level playing field for all ISAs, SC meetings and the Fund in general would have benefitted from more strategic debates triggered by the DP. Second, overheads of supportive institutions were limited. The size of the CU, which was with 1, 5 FTE kept to a minimum, was sufficient for the provision of implementation support for SC decisions. In addition, the IFI-CP coordinated IFI actions and facilitated dialogues between SC members through the provision of policy and analytical work.

Trustee, CU and ISA in the Fund. Several measures allow the Bank to perform these roles independently of each other. Nevertheless, some stakeholders, especially those who became involved in the MENATF more recently, expressed concerns during interviews as well as in the survey about how the World Bank performs these multiple roles independently. The FSE did not find evidence that there may have been a conflict of interest.
6.2 Looking forward: Ensuring sustainability, learning and upscaling

As of December 11, 2018, the Fund can no longer commit any additional resources in the remaining three years until End-of-Transfer date in December 2021. All remaining funds that will not have been allocated to new projects or to future administrative costs before that date, or any future non-spent funds from completed or cancelled projects, will be returned to the donors. The lack of additional Fund resources means that there is relatively little that can still be done at Fund level. The only option left would be through extensions and restructuring of projects which will be possible until end-2021.

As it currently stands, it is therefore left to TCs and ISAs to ensure that MENATF funded projects will use the coming years effectively to achieve remaining objectives; make project achievements sustainable; mainstream and scale-up where possible; and share success-stories and learn from failures. This includes producing effective Implementation Completion Reports (ICR) and dissemination of lessons learned. In this final phase, attention should also be paid to carrying out and utilizing impact or other results and lessons assessments that are particularly important for pilot projects in order to draw conclusions on mainstreaming and scaling them up. Each pilot should systematically do such studies before project end; if necessary, reallocate some funds for that purpose; and report on them in the ICRs.

In the view of the FSE, the Fund’s outcomes so far would justify some additional contributions from existing or additional development partners for keeping the partnership energized in the remaining period and to carry out some synthesis work or other relevant activities across Fund projects. Should there be a way to commit additional funds through a decision by the SC before December 11, 2018, or alternatively through the DP or individual donor partners the IFI-CP and associated ISAs could play a major role in organizing a systematic learning, mainstreaming and upscaling phase for the Fund to enhance project impact and sustainability. This would also allow to pull together lessons on certain thematic priorities across the MENATF to inform any future Funds or programs on lessons and best practices. For instance, the FSE found many good experiences in the Fund on how to facilitate private sector development and employment, particularly for youth and women; good practices in governance reforms and institutional change; and how to bring about innovative approaches.

6.3 Recommendations

Based on the conclusions, the evaluation team formulated two sets of conclusions.

*Recommendations for the remaining period of the MENA Transition Fund:*

1. Transition Countries and Implementation Support Agencies should foster learning from (pilot) projects and country experiences by producing quality Implementation Completion Reports and systematic impact assessments;
2. Transition Countries and Implementation Support Agencies should ensure sustainability of achieved results by mainstreaming and scaling-up through continued capacity building as well as linking up with complementary activities;
3. The Fund should use additional resources (if available) for the promotion of lessons learned across projects and the synthesis of lessons on priorities across Fund themes that are potentially of interest for future funds.
Recommendations for future similar funds:

1. **Continue the focus on technical assistance with the continued involvement of Implementation Support Agencies as well as a flexible approach to project design and implementation:** These three instruments and mechanisms have been highly relevant in the MENATF. Technical assistance is underinvested and in high demand in the region. Multilateral institutions can ensure complementarities and leverage. They are well placed to facilitate necessary reforms in enabling legal, administrative and institutional environments. Flexibility is a key principle in rapidly changing, volatile and fragile environments;

2. **Continue to facilitate the establishment of partnership at political and technical levels and strengthen the link between the two levels:** The Deauville Partnership and MENATF fora have been highly appreciated as useful opportunities of bringing together Western and Arab stakeholders for policy dialogue that should continue and be deepened. The IFI Coordination Platform was useful but require a sufficient mandate and resources to fulfil its supportive functions, particularly strategic and technical activities at country and regional levels. Including new relevant partners could potentially reinforce these advantages. At the same time, the link between the political and technical level should be strengthened to ensure sufficient political support for a future Fund;

3. **Systematically foster country ownership by delegating decision-making to Transition Countries, supported by Implementation Support Agencies to ensure a strategic focus and coherence of country portfolios:** Country ownership was central to achieve transformative and sustainable effects in the Fund. TC project execution should therefore be the preferred mode. Where situations may demand or TCs have a strong preference for ISA execution a form of mixed models should be considered in close consultation with cooperating partners. Any future Fund should institutionalize upfront agreements and strategic priority setting among TC authorities and ISAs at country level, preferably with donors involved;

4. **Establish mechanisms to ensure Fund strategic focus, responsiveness, coherence and identity that facilitate results, high-level support, oversight and fund-raising:** Many FSE interview partners, not only donors, called for a sharper future Fund strategic focus and clearer Fund identity, particularly in the TCs. The FSE showed that the strategic ambiguity of the MENATF followed from the lack of political leadership of the DP. Future funds should therefore be ensured of sufficient political backing. In addition, future Fund preferences and project selection criteria should be based on a solid problem assessment and subsequently more precisely formulated and then communicated at Fund level, in addition to the more general project eligibility criteria. Future Funds should institutionalize and build in stronger mandatory strategic reviews after three or four years of operation, which could set the stage to adapt to changing conditions and learn from experiences thus far. In the absence of agreed strategic changes, agreements on the termination of the Fund should be rigorously applied. This process could also benefit from the development of an enhanced ToC and common results framework at the beginning. The MENATF red-flag approach of lagging projects should be institutionalized from start.

5. **Generate a governance system that allows for strategic decision making and the professionalization of fund-raising:** Assuming sufficient political and strategic support, as stated above, future Funds should include a stronger and better-resourced technical support mechanism, either in the form of a strengthened IFI-CP, an institutionalized technical advisory committee, or a unit in the CU that could ensure strategic responsiveness and continuity as well as an SC able to provide continuous pro-active and strategic decision-making. This allows for the preparation of strategic reviews and options, backed up by solid technical analysis. When combined with professional help in fund-raising, this may contribute to boost lagging pledges.

6. **Pay attention to Fund synergies through regional and global integration, knowledge exchange, learning and common actions:** Link Fund projects more effectively with good practice models, institutions and similar projects within and beyond the region. Such activities
could either be built into project components, budgets and PDO indicators at design, or they could be supported through separate institutional and funding arrangements at Fund level. In doing so, it is important to reconsider the rationale and operation of regional projects that provided only few regional public goods in the MENATF. Regional projects should be more than multi-country projects. Hence regional approaches should ideally originate from, but certainly strongly involve the region’s countries, at political and technical level.

**7. Apply a two stage project selection process and improve technical reviews to ensure high-quality projects and to make optimal use of opportunities for reform among different Recipient Entities.** The FSE considers a two-stage approval process crucial for future similar Funds. Such a process could include as a first step the approval of sufficiently detailed concept notes, followed in a second step by the preparation of a final proposal, which would be supported through the provision of project preparation funds. Reviews should also pay attention to the need for clarity on the reform path and how to strategically select and maximize TA contributions. Since reforms increasingly require transparency, communication and a broad consensus, these aspects should be part of proposal submission and review.
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