KfW Development Bank

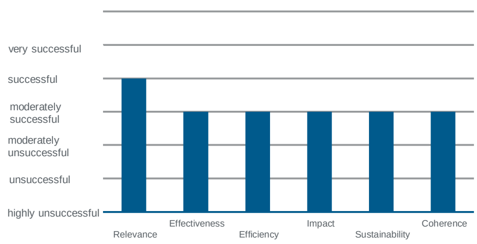
Ex post evaluation MENA Transition Fund, MENA Region

Title	German contribution to the Transition Fund as part of the Deauville Partnership (G7/8)		
Sector and CRS code	Business support services and institutions (25010)		
Project number	2014 41 039*, 2016 41 018		
Commissioned by	BMZ		
Recipient/Project-executing agency	World Bank		
Project volume/ Financing instrument	*Phase I: EUR 5.0 million (FC grant)* *Phase II: EUR 9.35 million (FC grant)*		
Project duration	*2014–2018 (Phase I), 2016–2020 (Phase II)*		
Year of report	2021	**Year of random sample**	2021

Objectives and project outline

As part of the FC project, a financial contribution was made to the MENA Transition Fund (MENATF), which was set up by the G8 countries in response to the Arab Spring and provides grants to the transition countries. By supporting Technical Cooperation projects in particular, the goal was to strengthen public institutions and promote sustainable economic growth. With this, the aim was to contribute to improving living standards and stabilising the economy in the recipient countries during the political transition process.

Overall rating:
moderately successful



Key findings

Difficult underlying political conditions limited the project's success. Nevertheless, the MENATF and its technical support projects were able to generate important development policy momentum. The project is therefore rated as moderately successful:

- The promotion of the four pillars of sustainable economic growth, integrative development and employment promotion, reinforcement of good governance in the economy, and competitiveness and integration through the application of technical support projects was relevant and addressed major barriers in the region.
- However, the fund's broad base of subject areas made it difficult to formulate a more refined strategic focus and also made it difficult to measure results.
- In terms of donor coordination and harmonisation, the consolidation of donor funds into a trust fund was an important instrument. Cooperation within the fund between the various projects and at country level was less successful. Fund synergies could have been improved by using existing structures, exchanging knowledge, learning, or employing joint measures.
- The projects' performance in terms of their intended effect was rated as (moderately) satisfactory in 89% of cases, even though project implementation was often subject to long delays.
- Additional capital (co-financing) could be mobilised.
- In relation to sustainability, the political volatility and safety-relevant situation continue to present significant risks.

Conclusions

– Having the transition countries present their project proposals helps to improve ownership.

– Giving the countries responsibility for implementing the projects is important for generating transformative and sustainable effects. If the countries receive support with implementation, close cooperation with the partners makes sense.

– The flexibility with which the fund was able to respond to changes and the recipient countries' needs is a key factor in a volatile and fragile environment.

– A good understanding of the countries' individual transformation paths is essential for sustainable reform effects.

1 = very successful, 2 = successful, 3 = moderately successful, 4 = moderately unsuccessful, 5 = unsuccessful, 6 = highly unsuccessful

Rating according to DAC criteria

Overall rating: 3 (Phases I and II)

Ratings:

Relevance	2
Effectiveness	3
Coherence	3
Efficiency	3
Impact	3
Sustainability	3

Since the single effects of the two phases cannot be isolated, they are evaluated together and will receive the same rating.

General information

1) The evaluation does not refer to the fund's individual commitments, which in the context of a fund evaluation cannot be examined with the level of detail typical for evaluating individual FC projects.

2) In 2019, an independent evaluation was conducted by the business research and consultancy company Ecorys on behalf of MENATF.[1] Since the fund has been unable to issue any new project commitments since 11 December 2018 and the focus is on concluding projects and wrapping up the fund, it is assumed that the effects will not change fundamentally.[2] The following therefore refers primarily to the evaluation performed by Ecorys – supplemented by up-to-date data and information on individual DAC criteria.

General conditions and classification of the project (for complex projects only)

The Middle East and North Africa Transformation Fund (MENATF) is the Deauville Partnership's financing instrument set up in May 2011 by the G7/8 countries in response to the Arab Spring, which describes a series of protests, uprisings and revolutions against the ruling authoritarian regimes in the Arab World. The protestors were calling for more social and economic opportunities and equality, and expressed their dissatisfaction with state corruption and the deterioration of their living standards, particularly with regard to the quality of public services. In many places, the outbreak of the uprisings was unexpected as economic indicators (such as income growth, GDP growth, or poverty rates) revealed a positive picture and suggested that economic objectives were being met and there was collective prosperity.[3] While many of the countries had seen demonstrations against corruption, social plight, economic inequality and government despotism for a number of years, these protests remained local and did not receive any global attention.[4] Since the MENA states became independent, the governments had established a specific type of partnership agreement, under which citizens were provided with subsidised food, energy, free public education and public jobs as compensation for the silent recognition of the legitimacy of political regimes despite a lack of political participation. However, as population figures began to sky-rocket[5] and public revenues began to fall at the same time, some governments were no longer able to meet this obligation and focused their expenditure on strategically important social groups. The results of this included high unemployment, particularly among young people. Weakened by regulations that restricted market entry to

[1] Ecorys (2019): Independent Full-Scale Evaluation of the MENA Transition Fund.

[2] All remaining funds are returned to the donors.

[3] Ianchovichina (2018): Eruptions of Popular Anger: The Economics of the Arab Spring and Its Aftermath. MENA Development Report. Washington, DC: World Bank.

[4] Rosiny and Richter (2016): Der Arabische Frühling und seine Folgen (The Arab Spring and its Consequences), Federal Agency for Civic Education.

[5] This was caused by a fall in child mortality and a simultaneous slow decline in fertility in the region.

businesses and limited domestic competition, as well as by a culture of nepotism and corruption, the private sector was also unable to absorb the supply of workers.

The aim of MENATF was to promote political reforms in the destabilised countries of Tunisia, Egypt, Morocco, Jordan, Libya and Yemen, and to create an economic framework that encourages sustainable and inclusive growth and an improvement to living standards. The fund was set up by the G8 in 2012 with a capitalisation target of USD 250 million and the plan was to close it by December 2020.[6] The German contribution to the MENA Transition Fund was part of the special initiative for stabilisation and development in North Africa and the Middle East, which was created by the Federal Ministry for Economic Cooperation and Development (BMZ) in 2014.

The donor countries include Denmark, Germany, the UK, France, Japan, Canada, Qatar, Kuwait, the Netherlands, Russia, Saudi Arabia, Turkey, the United Arab Emirates (UAE) and the United States of America (USA). The World Bank acts as the trust manager for the fund and the funds contributed by the donors. The countries define their own preferences for support and submit proposals for advisory and training projects. A steering committee (SC) then makes a decision on the financing; this committee is made up of representatives from the donor and transition countries and votes democratically on the project proposals every six months. A representative from the German Federal Government (BMZ) was also a member of the committee. The SC's work is supported by a coordination unit (CU), which acts as a link between the SC, the trustee, a roster of experts (RoE) and selected implementation support agencies (ISA).

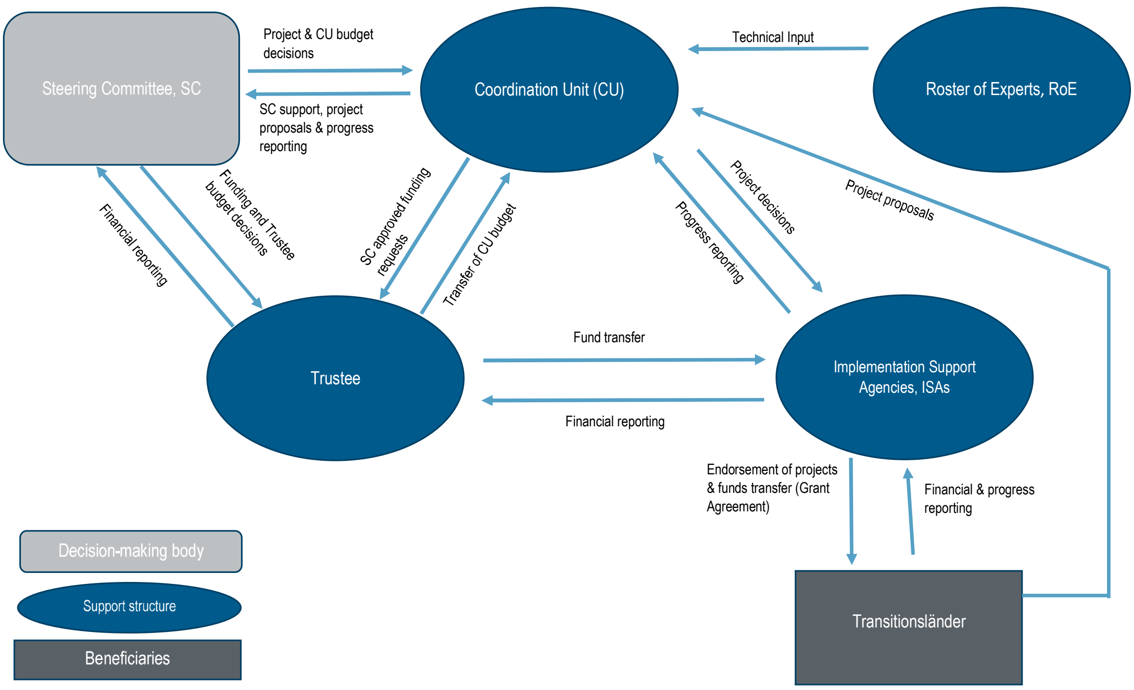


Figure 1: MENATF's organisational structure

The projects are implemented by the transition countries in conjunction with the selected ISAs and relevant partners, or are also implemented by the ISA at the transition country's request. The ISAs include the African Development Bank, the Arab Fund for Economic and Social Development, the Arab Monetary Fund, the European Bank for Reconstruction and Development, the European Investment Bank, the International Finance Corporation, the International Monetary Fund, the Islamic Development Bank, the Organisation for Economic Cooperation and Development, the OPEC fund for International Development, and the World Bank. The RoE consists of a network of experts and offers independent technical advice on project proposals. Figure 1 summarises MENATF's organisational structure.

[6] The end of the term was pushed back until 11 December 2021.

Impacts of the COVID-19 pandemic

The pandemic is exacerbating the trend towards extreme poverty that was already observed in the MENA region before the crisis, driven by conflicts in countries including Yemen and Libya. Estimates assume that the COVID-19 pandemic alone has pushed three million additional people in the MENA region into extreme poverty.[7] Unemployment, which was already unusually high before the crisis, has further deteriorated and the very limited job prospects for young people and women in the region have fallen even further.

Relevance

Shaped by a broad wave of protests, uprisings and rebellions against authoritarian regimes and political and social structures, the Arab Spring constitutes a historic turning point in the MENA region. At the time of the project appraisal (PA) in 2014, the development paths of the countries in question were very different. While Egypt, Tunisia, Libya and Yemen saw their regimes fall, with mass protests in the latter two countries turning into ongoing violent conflicts, Jordan and Morocco were not particularly affected by the protest movement. A high level of unemployment (10% in 2010), particularly among young people (24% in 2010) is regarded as a driving factor for the protest movement, starting in 2010. Here, women are much more affected by unemployment than men. In addition to the unstable political situation and safety levels, the economic situation was also adversely impacted by the fact that weak conditions made it difficult to set up and grow small and medium-sized enterprises (SMEs) and that poor population groups and micro, small and medium-sized enterprises (MSMEs) only had inadequate access to financial services.

With its contribution to the MENATF, the FC project addressed these obstacles in that primarily technical support projects were to be promoted in the six recipient countries (Egypt, Yemen, Jordan, Libya, Morocco, Tunisia) under the four pillars of sustainable economic growth, integrative development and employment promotion, reinforcement of good governance in the economy, and competitiveness and integration[8]. Due to the large number of activities and subject areas supported by the fund, no theory of change[9] was developed to begin with. No specific target indicators were defined either at fund level, for individual projects or for the FC contribution prior to the start of the project. The reconstructed results chain[10] (figure 2) reveals that the projects were intended to reinforce public institutions within the four separate pillars and resulting transformation effects, and also promote sustainable and inclusive economic growth. With this, the aim was to contribute to the formulated impact goals – improving living standards and stabilising the economy[11] in the recipient countries during the transition process.

As a result of the intentionally broad base of topic areas, it was to be expected that the MENATF can theoretically (!) contribute to the formulated goals because the transition countries were also able to formulate their own needs in very relevant areas and define their own promotion preferences. The four formulated pillars therefore set the course for the project's focus areas but, by nature, make it more difficult to formulate a more refined strategy for the fund, which would have been sensible in view of the ability to verify and review the target system in the transition countries. With regard to the results chain it is important to note that this may only apply to a limited event in the fragile context and the very different courses of development in the transition countries.

In contrast to the original assumptions made by the Deauville Partnership, the transition process was more complicated than expected. The situation deteriorated most dramatically in Libya and Yemen as a result of their civil wars. Jordan experienced a large influx of refugees; Tunisia and Egypt experienced an increasing number of terror attacks, while Tunisia, Morocco and Jordan saw continuous social unrest. This can result in reduced administrative capacities and lead to less willingness and fewer opportunities to

[7] Belhaj und Mohammed (2020): MENA: The time to act is now, World Bank Blogs.

[8] This can cover issues such as logistics, regulatory convergence across borders, trade strategy and negotiations, planning and relief for cross-border infrastructure, and promotion and relief for infrastructure projects, in particular in the areas of urban infrastructure, transport, trade facilitation, and private sector development.

[9] The Theory of Change explains how the activities in an intervention can contribute to a chain of outcomes, which lead to the intended or observed impacts.

[10] "Today, comprehensive (re-)constructed results chains are also referred to as Theories of Change." (BMZ (2020): Evaluation criteria for German bilateral development cooperation)

[11] The goal of economic stabilisation is named in the PA, but is not explicitly described in the MENATF's Fund Operations Manual.

implement sensitive reforms. At this point, however, the fund's flexibility and adaptability to rapidly changing conditions can be regarded as important comparative advantages. The fund responded to changing underlying conditions with relation to project selection and implementation, with project expansions, restructuring and suspensions being facilitated.

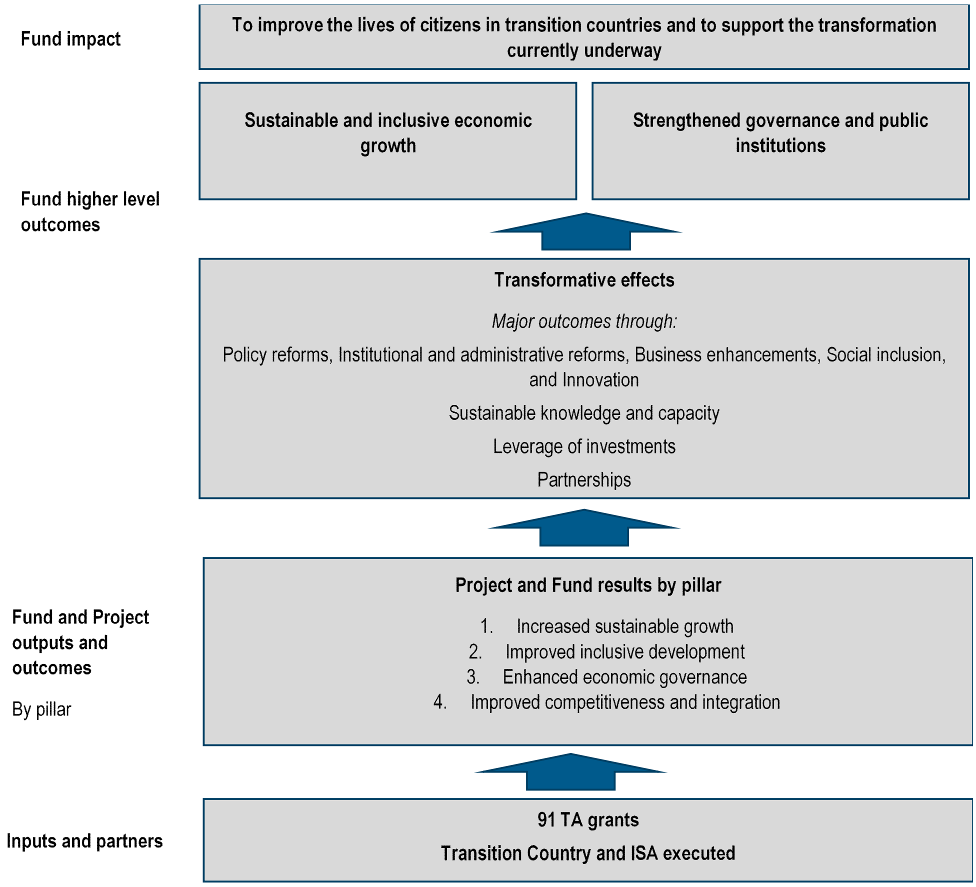


Figure 2: Reconstructed results chain for MENATF

As a regional fund, MENATF is not aligned with the strategies of individual national partner countries. However, because the transition countries took a leading role in the selection of projects and, in some cases, were responsible for implementing specific measures and reforms, it can be assumed that the projects take into account the relevant underlying political and institutional conditions and are in line with the development policy needs and capacities of the individuals, groups and organisations involved and affected. Involving state structures also prevents parallel structures from being established.

The FC project was financed with funds from the special initiative "Stabilisation and Development in North Africa and the Middle East" and is, in essence, consistent with its objectives[12], which focus on the four conflict-reducing and crisis-preventing action areas of youth employment, economic stabilisation, democratisation, and the stabilisation of neighbouring countries in crisis situations. There are a series of projects that are geared specifically towards young and female beneficiaries but do not focus exclusively on disadvantaged groups like these.

The project's design follows an approach of sustainable development, which aims to promote political reforms and create an economic framework that encourages sustainable and inclusive growth and an improvement to living standards. However, in highly polarised and unstable political contexts, it is important to set realistic goals and aim to achieve these gradually as systemic changes. At the same time, unrealistic results should not be expected from the limited project funds.

[12] https://www.bmz.de/de/entwicklungspolitik/sonderinitiative-nordafrika-nahost#anc=id_51200_51200

Even 10 years after the start of the Arab Spring, the economic and social challenges facing the six MENATF countries are still serious and extensive. An IMF study (2018) reveals that the governments' performance and accountability are still inadequate, that the private sector does not create many jobs and is not large enough, that youth unemployment is high, and that there are obstacles to women when looking for employment.[13]

While the broad base of subject areas creates an opportunity, on the one hand, to cover the transition countries' preferences and needs to a high level, the lack of a clear target system and assumed impacts presents the risk that it is not possible to verify and review these to an adequate extent on the other. Relevance could have been increased by formulating a clear fund identity. Nevertheless, given the urgency with which the fund was set up in order to provide the countries with support as quickly as possible, the fragile context, the flexibility with which the fund – as a result of its structure – could respond to changes and the recipient countries' needs, as well as the still important action areas, we rate the project's relevance as successful. The actual relevance in terms of resolving the identified constraints stems ultimately from the choice of individual measures.

Relevance rating: 2

Coherence

The project was part of the special initiative for stabilisation and development in North Africa and the Middle East set up by the Federal Ministry for Economic Cooperation and Development in 2014. This initiative is made up of 75 measures within the four conflict-reducing and crisis-preventing action areas of youth employment, economic stabilisation, democratisation, and stabilisation of neighbouring countries in crisis situations. In addition to KfW Development Bank, non-governmental organisations, political foundations, scientific institutes, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) are involved in its implementation. As such, the project can be regarded as complementary to and collaborative with other measures within German development cooperation (DC) The project itself is not part of an overarching DC programme but, by promoting technical support projects, it makes use of elements of technical DC. Furthermore, the measure is consistent with international and national norms and standards that German DC acknowledges and thereby generally meets the goal of fitting in well, in the sense of internal coherence.

The contribution to the multilateral fund MENATF is used to make a collective contribution, alongside the international community, to stabilising the countries. The consolidation of donor funds into a trust fund creates a platform for coordination and dialogue and is therefore an important instrument for donor coordination and harmonisation in the context of external coherence.

In view of the principle of subsidiarity, it can be assumed – particularly in cases where the ISAs implemented projects in conjunction with the transition countries and this led to the countries having a higher degree of ownership – that the measure supported the partner's own efforts.

While both internal coherence and external coherence are broadly rated as positive, coordination and cooperation between the various projects/ISAs and also at country level could have been improved, which is why the criterion is rated as moderately successful.

Coherence rating: 3

Effectiveness

Since the fund was set up, the 15 donor countries have committed and contributed amounts totalling USD 242.4 million. Germany contributed USD 23.4 million (EUR 20.4 million), of which EUR 14.35 million stemmed from the FC financial contribution and EUR 6.05 million from the Federal Foreign Office's financial contribution. As such, the capitalisation target of USD 250 million has almost been reached.

[13] IMF (2018). Opportunity for All. Promoting Growth and Inclusiveness in the Middle East and North Africa.

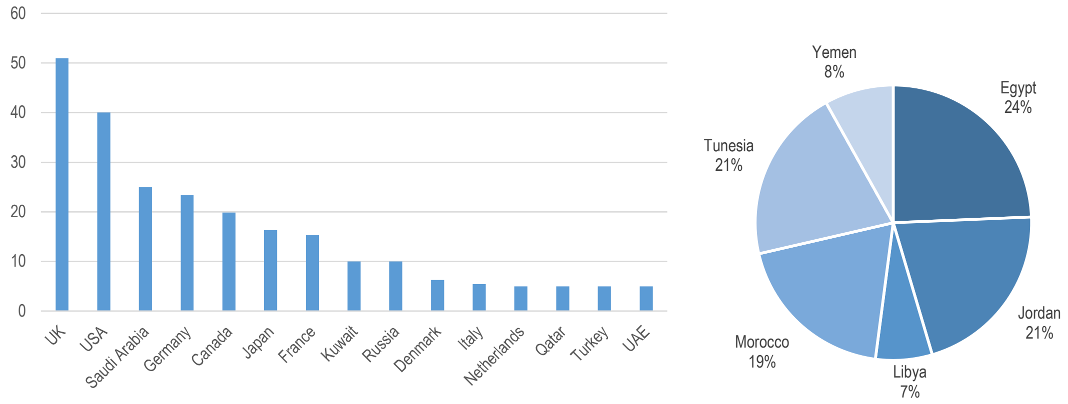


Figure 3: Funds committed by donor countries in USD million & division of fund volume (in %). Own data. Source: MENATF Trustee Report 2020.

Up to 30 June 2020, 91 projects with a funding volume of USD 241.0 million were approved by the SC. Based on the SC's decisions and the money transfer requests received by the ISA, the trustee has transferred USD 229.4 million to date, USD 208.5 million of which were allocated to projects, USD 16.8 million to the ISA's indirect costs, and USD 4.1 million to the CU's and trustee's management budget.

Out of the committed volume of funds, 24% were allocated to projects in Egypt, 21% each to Tunisia and Jordan, 19% to Morocco, 8% to Yemen, and 7% to projects in Libya, though project commitments in Yemen and Libya fell drastically owing to emerging conflicts (see figure 3). Since the project is an open programme, no contributions were defined ex ante for specific individual measures.

According to the progress report (2020), 41% (37) of the 91 approved projects in total have been completed, 8% (7) were cancelled, and 51% (47) are still being implemented. With regard to the intended effect, the ISAs drew up ratings at an individual project level. [14] Using the ratings for all of the projects already completed[15] or still active as a basis, the portfolio's performance (based on intended impact) was classed as 89% satisfactory or moderately satisfactory, and 11% moderately satisfactory or unsatisfactory. The results have been broadly confirmed by the random sample check of Ecorys' independent evaluation.

While the ISA created ratings at individual project level in order to measure effectiveness, no specific target indicators were defined prior to the start of the project either at fund level or for the FC contribution.[16] Following pressure from some donors, an aggregated "status quo" matrix of results was developed on a retrospective basis in 2014 and is updated in (half-) yearly progress reports. In addition to aggregated outcome indicators (to measure impacts), this also contains purely performance-based output indicators and reflects the most frequent activities and indicators from existing projects, which are grouped around the fund's four pillars.[17] In addition to this, a series of general output indicators was formulated for cross-pillar activities. Output indicators were added because more than half of existing indicators at project level were performance-based, meaning that by excluding them the main fund activities would not have been able to have been mapped. The SC accepted the aggregated results matrix as a minimum solution. However, there is broad agreement that it is unable to reveal the entire spectrum of results, which generally makes it difficult to measure impacts.

---

[14] The ratings are based on a five-point scale: satisfactory (the project is likely to almost completely achieve or exceed its primary objectives without any significant deficiencies), moderately satisfactory (the project is likely to efficiently achieve the majority of its primary objectives, with moderate deficiencies), moderately unsatisfactory (the project is likely to achieve at least half of its primary objectives inefficiently with moderate deficiencies), unsatisfactory (it is unlikely the project will efficiently achieve most or some of its primary objectives), NA (the project is not yet effective).

[15] The ISA rating is based on the time of the project's completion.

[16] Since this is a deviation from the normal FC process, KfW requested special authorisation from BMZ, who approved this request.

[17] This required over 200 existing indicators to be reviewed at project level in order to develop indicators at pillar level.

According to the 2020 progress report, the overview is as follows (see also the table below): in pillar 1 “Sustainable economic growth”, consultancy measures enabled the performance of 609 businesses to be improved, the private sector was promoted with financial support and consultancy services at 4,579 businesses, access to financial products and services was created for and used by 34 million people, the micro-finance portfolio of the promoted banks was increased to USD 1,473 million, and 1.87 million business loans were provided or guaranteed by the supported banks.

Pillar 2 achieved improved inclusive development in the area of social benefits, such as pensions and safety net payments, and promoted employment through better regulations and measures on the labour market and through the provision of vocational training, delivering the following results: 2,771 new job opportunities were created[18], 47,888 people received funding to improve their employability or enable them to become self-employed, 7 reform programmes for the fairer and more efficient distribution of public funds were created and implemented, and 626,000 households profited from refined/more efficient social security nets, subsidy policies, and related programmes.

In the area of “reinforcement of good governance in the economy” (pillar 3), over 13,000 civil organisations and women’s or youth groups were strengthened and empowered by their local governments and 1,624 government departments were supported.

A total of 162 trade transactions that used new products and services helped to strengthen pillar 4 “competitiveness and integration”.

Across the pillars, 903 studies, evaluations, reports, action plans, road maps, best practices or framework concepts were created, 108 regulations or laws were enacted or executive bodies, units and systems were established, and 11,400 public-sector employees were trained in various topics.

Indicator	**Unit of measurement**	**Status PA (2014)**	**Ex post evaluation (June 2020)**
Pillar 1: Sustainable economic growth			
1.1 Outcome: Businesses, including MSMEs, exhibited an improvement in performance after receiving consultancy services	Number	0	609
1.1.1 Output: Businesses received consultancy services or financial support (including MSMEs)	Number	204	4,579
1.2 Outcome: People use the financial products and services offered by the supported banks	Number	13,530,000	34,780,821
1.3 Outcome: Outstanding micro-finance portfolio of the promoted banks	USD million	541	1,473
1.4 Outcome: Business loans have been promoted or guaranteed by the promoted banks	Number	3,575	1,866,059
1.5 Output: Projects and programmes for promoting green growth have been drafted and implemented	Number	2	2

[18] This only measures the direct employment effects – the indirect effects could be higher.

Pillar 2: Employment promotion and integrative development			
2.1 Outcome: New job opportunities created following technical support	Number	0	2,771
2.1.1 Output: People that received training to improve their employability or ability to work independently	Number	4,241	47,888
2.2 Outcome: Creation and implementation of programmes to promote the fairer and more efficient allocation of state funds (target group: vulnerable people)	Number	5	7
2.3 Outcome: Household recipients of improved social security nets and associated programmes (target group: vulnerable people)	Number	735,000	626,890*
Pillar 3: Reinforcement of good governance in the economy			
3.1.1 Output: Civil organisations, women's groups or youth groups have been engaged with and empowered by the local government in order to increase their participation in public politics	Number	10,075**	13,110
3.1.2 Output: Government agencies, institutions and local government departments received support services	Number	1,187	1,624
Pillar 4: Competitiveness and integration			
4.1 Outcome: Trade transactions that use new products or services	Number	0	162
Cross-pillar activities			
5.1.1 Output: Studies, evaluations, reports, action plans, road maps, best practice models or framework concepts have been created	Number	1	903
5.1.2 Output: Regulations or laws have been enacted or executive bodies,	Number	2.5	108

units and systems have been established			
5.1.3 Output: Public-sector employees have received training in various areas	Number	366	11,400

* In 2015, the project "Jordan WB National Unified Registry" broke off its cash settlement for fuel subsidies, which led to a general decline in the number of household recipients.

** By 2014, one project had already promoted the empowerment and strengthening of over 10,000 civil organisations, women's groups or youth groups.

Note: The table only contains indicators that have been assigned values.

The indicators were recorded at aggregated level, which means that it is not possible to break down figures ex post in view of particularly disadvantaged or vulnerable groups. While there is a series of projects that are geared specifically towards young and female beneficiaries, these do not focus exclusively on disadvantaged groups like these. Given that high unemployment, particularly among young people, is viewed as a driving factor in the protest movement, and women especially meet obstacles when looking for employment, disaggregation in relation to impact measurement would have been desirable.

As documented by Ecorys, a number of projects succeeded in generating transformative effects. These were generated in the area of innovation (73% of projects), administrative and structural changes/institutional reforms (59%), business optimisation (51%), inclusivity (46%) and political reforms (43%).

Beyond this, it is worth highlighting that the projects financed by MENATF were able to leverage additional capital (co-financing) in the amount of USD 6.3 billion by ISA and bilateral partners.

Elements that were particularly relevant in relation to the achievement of the intended goals were the transition countries' responsibility, the quality of the financial institutions at the beginning of the implementation period and the quality of the implementation management, while cases with very complex project designs combined with unrealistic objectives and an unfavourable external political and socio-economic environment had a negative impact on the performance.

As already discussed, impact measurement at outcome level was adversely affected by a range of factors: in addition to MENATF's broad base of focus areas, which makes it difficult to map results using shared indicators, a number of the financed projects were implemented by the same ISA or with partners as part of wider efforts. In contrast, other projects require supplementary activities that extend beyond the scope of MENATF. What is more, there are no targets for indicators that define the project's success.

On the whole, target achievement at outcome level can only be quantified to a limited extent. In view of the largely positive ratings at individual project level and subject to the described restrictions relating to evaluation, effectiveness is rated as just about satisfactory.

Effectiveness rating: 3

Efficiency

The fund's operating costs as at 30 June 2020 were below 10% (USD 20.9 million) of the approved project volume, whereby costs at the level of the implementing organisations accounted for 7% (USD 17.1 million) and the trustee's and CU's administrative costs accounted for 2% (USD 4.3 million). The costs are regarded as appropriate.

The disbursement rate of the entire approved project portfolio was 75% as at 30 June 2020. At country level, the disbursement rate is lowest in Morocco (69%), Egypt (70%) and Tunisia (70%). The delays can be attributed to significant management and procurement problems in Tunisia, for example. The highest pro rata disbursement rate is in Jordan (90%), which also had procurement problems but many of its projects still manage to run comparatively smoothly. While the disbursement rates in Yemen (74%) and Libya (81%) are also relatively high, this is due to the fact that several projects in Yemen were cancelled, the participating ISAs in Libya were very motivated to get involved in the country again, the projects were implemented exclusively by the ISAs, and the costs were high, which resulted in high disbursements.

In view of the production efficiency, there is generally a good ratio of the inputs used and the outputs delivered. According to Ecorys, efficiency is rated as satisfactory or moderately satisfactory in 71% of cases, and moderately unsatisfactory in 30% of cases.

Despite a good ratio of the inputs used to the outputs delivered, this often went hand-in-hand with long delays. Four points in particular are deemed to be significant for the delays.

These include low capacities or a lack of expertise among the recipient units in the field of project management and administration, plus a lack of familiarity with procedures among the ISAs (1). While a large portion of the projects were implemented by the ISAs, who provide support with procurement and project management, this led to a lower level of ownership by the countries and weakened transformation effects. As such, allocation efficiency could have been increased by selecting a mixed model, which involved the transition countries and ISAs working more closely together. It would also have been sensible to institutionalise advance agreements and the definition of strategic priorities between the transition countries' authorities and ISAs at country level, in order to increase efficiency.

A high fluctuation rate among the leaders and political groups in the transition countries (2) and an underestimation of the amount of time and effort needed in a challenging political, administrative and socio-economic environment (3) also contributed to the delays. The safety situation made it difficult to implement the projects, e.g. the outbreak of civil wars in Libya and Yemen.

In the interests of a safer and simple receipt of payment, the Technical Cooperation projects (financial contributions) did not always receive top priority in the ISAs' and receiving units' current portfolios in comparison to loans (4). However, strong commitment relating to efficient implementation is important in view of the projects' integration into past and current activities, for example.

Under the German co-chair in 2015, a monitoring tool ("red flag" grade) was developed with the aim of raising prompt awareness of implementation difficulties, insufficient target achievement for indicators, and slow movement of funds in individual projects. The SC also regularly reviewed red-flagged projects during their meetings.

Thanks to the fund's activities, a number of new partnerships between organisations were established within projects, though there was little cooperation between MENATF projects or at country level. Cooperation between the ISAs in co-implemented projects also proved to be less effective than expected. In conjunction with the Deauville Partnership, a coordination mechanism (IFI Cooperation Platform, IFI CP for short) was set up, which – according to the Operations Manual[19] – had the goal of (i) facilitating the exchange of information and mutual understanding, (ii) coordinating monitoring and reporting about the implementation of the Deauvillle Partnership, and (iii) identifying cooperation opportunities in the financing of technical support and political and analytical work. However, the IFI CP was mainly active at a higher political level and facilitated general coordination and the exchange of information. The IFI CP was less successful in its involvement in national or regional activities, which could have helped to promote cooperation between the various projects/ISAs or at country level. The main reason for this was a lack of mandate for the Deauville Partnership and the donors' financial resources. By involving the IFI CP in national or regional activities, fund synergies could have been generated by using existing structures, exchanging knowledge, learning, or employing joint measures.

Furthermore, it would have been sensible to perform interim evaluations for already implemented projects in order to draw conclusions for ongoing measures.

On the whole, production efficiency is positive, though there are also negative results related to the significant delays and insufficient cooperation at project and country level, which resulted in losses in efficiency. However, it can be assumed that the pooling of a large number of donor contributions was able to achieve huge gains in efficiency compared to the donor countries implementing all of the individual measures at

[19] https://www.menatransitionfund.org/documents/operations-manual

their own initiative. For this reason, we assess the efficiency of the project as just about satisfactory.

Efficiency rating: 3

Impact

The goal of the MENATF was to contribute to improving living standards and stabilising the economy in six recipient countries (Egypt, Yemen, Jordan, Libya, Morocco and Tunisia) during the transformation process. Looking back, the target formulation is still appropriate, though it appears very ambitious given the relatively small fund size compared to the significant challenges.

The fallout of the Arab Spring was and still is a period of deep political instability and violence. In Egypt, Libya, Tunisia and the Republic of Yemen, the uprisings overthrew the long-standing authoritarian governments. There were civil wars in Libya and Yemen, Jordan experienced a large influx of refugees; Tunisia and Egypt suffered an increasing number of terror attacks, and Tunisia, Morocco and Jordan saw continuous social unrest. The search for a new, sustainable social contract – supported by extensive political, economic and social reforms – is still underway, which could create greater socio-economic equality and transparency in government action and thus generate long-term political stability.

A large portion of the authoritarian regimes were able to re-establish their leadership after a period of uncertainty, or new authoritarian regimes took their places instead. The economic and social situations also continued to deteriorate in most of the countries. For instance, between 2011 and 2014, actual annual economic growth in the MENA region fell by an average of over 50% compared to the years prior to the outbreak of the Arab Spring (in the years 2005 to 2010: almost 5%) and remained at an average of around 2% in the six MENATF recipient countries in the 10 years following the outbreak of the Arab Spring, see figure 4.[20]

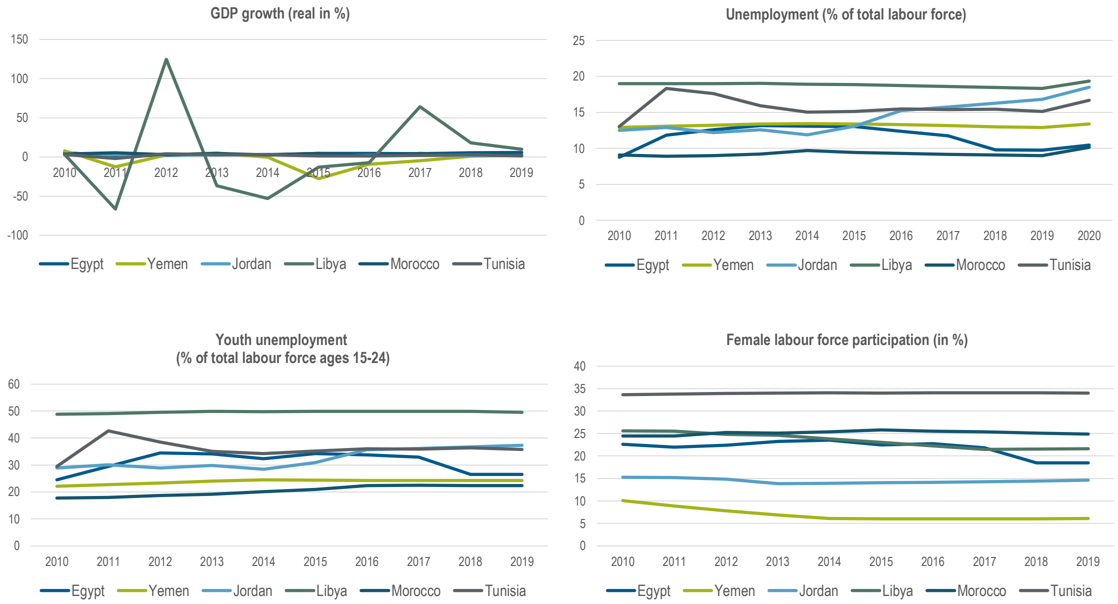


Figure 4: own image. Source: International Financial Statistics (IMF), World Bank Development Indicators.

As figure 4 shows, unemployment in the recipient countries was at an average of 15% in 2020 (comparison with OECD countries: 7%) and remains particularly high among young people (in 2019: 33%; comparison with OECD countries: 12%). In fact, the MENA region has the highest level of youth unemployment in the world. Women's access to adequate jobs and career prospects remains a challenge across the region. In 2019, the average employment rate among women was just 20% (comparison with OECD

[20] The extreme values related to GDP growth rates in Libya can be attributed to the country's unstable situation and its dependence on oil exports.

countries: 53%). Unemployment, which was already unusually high when the Arab Spring broke out and also before the COVID-19 pandemic, has further deteriorated and the very limited job prospects for young people and women in the region have fallen even further. For instance, in the fourth quarter of 2020, youth unemployment rose to 32% in Morocco for example, to 36.5% in Tunisia and to 55% in Jordan, putting it between 3 and 10 percentage points higher than the pre-crisis figures (COVID-19 pandemic).[21]

In view of the demographic trends, the MENA region will require 300 million new jobs by the year 2050.[22] The World Bank estimates that the MENA countries would have to create 800,000 new jobs every month to keep pace with new workers entering the labour market. As has been the case in the past, there is a lack of adequate structures in the private sector and for small and medium-sized enterprises, both of which could generate new opportunities if promoted more. Due to a lack of employment prospects, the informal sector is continuing to grow and is simultaneously an expression of inequalities in society. For example, 63% of the workforce in Tunisia and more than 70% of the workforce in Egypt and Morocco are employed in the informal sector, which offers no security, is poorly paid and also offers very few development prospects.[23]

According to a recent survey, while the majority of respondents in Tunisia and Egypt do not regret the protest movement, (more than) half of respondents in Yemen, Tunisia and Libya stated that their lives were worse than before the uprisings.[24] Extreme poverty rates, which had already doubled from 3.8% to 7.2% between 2015 and 2018 even before the COVID-19 pandemic, will be exacerbated further by the current crisis.[25] Figure 5 shows life satisfaction trends[26] for the six recipient countries compared to the rest of the world. While life satisfaction initially recovered after the Arab Spring, it has dropped sharply since 2015. This trend is in sharp contrast to the rest of the world, where life satisfaction has risen on average.[27]

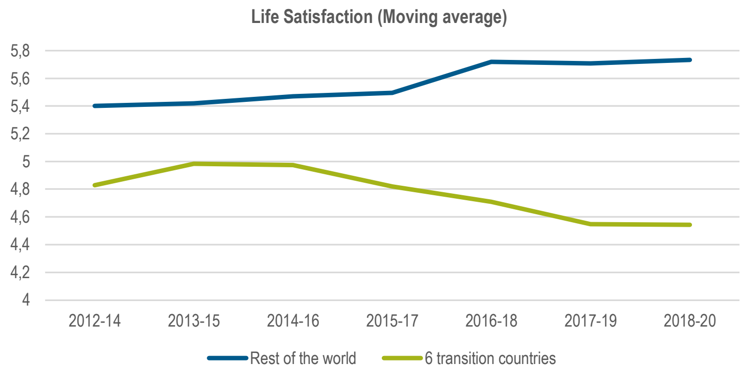


Figure 5: own image. Source: World Happiness Report.

The assessment of impact-level results presents a challenge to the Evaluation team. The MENATF addressed the barriers to development mentioned at the beginning of the document. Poor social and economic trends in the region and relatively slow reform efforts in general indicate that success has been limited. This must be considered against the backdrop of high political volatility, the speed with which the fund was set up in order to support the countries with their transition processes, and against the long-term nature of political reforms, institutional changes, and improvements to the underlying economic conditions, inclusion and innovations. The results may take time to deliver and are not easy to quantify.

---

[21] IMF (2021): Regional Economic Outlook. Middle East and Central Asia.

[22] Belhaj (2021): MENA Unbound: Ten Years after the Arab Spring, Avoiding Another Lost Decade, World Bank.

[23] El-Haddad (2021): Ist der “unsoziale” Gesellschaftsvertrag im Nahen Osten Vergangenheit? (“Is the “unsocial” social contract a thing of the past in the Middle East?”) Deutsches Institut für Entwicklungspolitik (German Development Institute).

[24] https://www.theguardian.com/global-development/2020/dec/17/arab-spring-people-middle-east-poll.

[25] World Bank (2020): Poverty and Shared Prosperity 2020: Reversals of Fortune. Washington, DC.

[26] See World Happiness Report. Respondents rate their current life as a whole using the image of a ladder, whereby the best possible life is scored with a 10 and the worst possible life is scored with a 0.

[27] Belhaj und Mohammed (2020): MENA: The time to act is now, World Bank Blogs.

In general, it can be assumed that the MENATF and its technical support projects generated important development policy momentum – within the scope available to it as a reasonably small fund facing the complex challenges in the MENA region's transition process. With this in mind, we rate the impact-level results as just about satisfactory.

Impact rating: 3

Sustainability

In concrete terms, the aspect of sustainability was addressed in 73% of the random sample projects in the Ecorys evaluation, 49% of projects employed important measures to ensure sustainability, 13% employed very important measures, and 11% employed marginal measures.

The sustainability of projects often depends on complementary or subsequent investments. The fact that some of the projects initiated additional financing by ISAs or bilateral partners – i.e. they were able to acquire extra financing sources on top of the fund financing – reveals the presence of long-lasting effects (at least from a financial perspective). Some projects also looked at ways to enable institutions to mobilise resources on a self-sustaining basis, for instance at the Tunisian investment authorities and the Jordanian investment committee.

The Ecorys evaluation shows that 92% of the projects in the random sample generally deliver important results in relation to sustainable knowledge (in the form of flagship reports, for example, workshops or training courses). However, these results must be continued by employing other forms of knowledge sharing or advanced training in order to achieve a sustainable effect.

Some pilot projects are also delivering very positive examples for training up employees, who eventually become self-employed and use the skills acquired to run a private practice or consultancy service.

The approach of allowing the countries to present their own project proposals helps to improve ownership and generally creates a good foundation for the positive effects being continued in future. However, limitations still cannot be ruled out as a result of the political volatility and safety-relevant situation.

In view of this situation, the aspect of sustainability is rated as just about satisfactory.

Sustainability rating: 3

Notes on the methods used to evaluate project success (project rating)

Projects (and programmes) are evaluated on a six-point scale, the criteria being **relevance, effectiveness, efficiency** and **overarching developmental impact**. The ratings are also used to arrive at a **final assessment** of a project's overall developmental efficacy. The scale is as follows:

Level 1	Very good result that clearly exceeds expectations
Level 2	Good result, fully in line with expectations and without any significant shortcomings
Level 3	Satisfactory result – project falls short of expectations but the positive results dominate
Level 4	Unsatisfactory result – significantly below expectations, with negative results dominating despite discernible positive results
Level 5	Clearly inadequate result – despite some positive partial results, the negative results clearly dominate
Level 6	The project has no impact or the situation has actually deteriorated

Rating levels 1-3 denote a positive assessment or successful project while rating levels 4-6 denote a negative assessment.

Sustainability is evaluated according to the following four-point scale:

Sustainability level 1 (very good sustainability): The developmental efficacy of the project (positive to date) is very likely to continue undiminished or even increase.

Sustainability level 2 (good sustainability): The developmental efficacy of the project (positive to date) is very likely to decline only minimally but remain positive overall. (This is what can normally be expected).

Sustainability level 3 (satisfactory sustainability): The developmental efficacy of the project (positive to date) is very likely to decline significantly but remain positive overall. This rating is also assigned if the sustainability of a project is considered inadequate up to the time of the ex post evaluation but is very likely to evolve positively so that the project will ultimately achieve positive developmental efficacy.

Sustainability level 4 (inadequate sustainability): The developmental efficacy of the project is inadequate up to the time of the ex post evaluation and is very unlikely to improve. This rating is also assigned if the sustainability that has been positively evaluated to date is very likely to deteriorate severely and no longer meet the level 3 criteria.

The **overall rating** on the six-point scale is compiled from a weighting of all five individual criteria as appropriate to the project in question. Rating levels 1-3 of the overall rating denote a "successful" project while rating levels 4-6 denote an "unsuccessful" project. It should be noted that a project can generally be considered developmentally “successful” only if the achievement of the project objective (“effectiveness”), the impact on the overall objective (“overarching developmental impact”) and the sustainability are rated at least “satisfactory” (level 3).