

## Executive Summary of Evaluation

<i>Name of Evaluation</i>	External End-of-Term Evaluation of the Micro, Small, and Medium Enterprise Technical Assistance Facility for the Middle East and North Africa
<i>Date of final Report</i>	July, 2018
<i>Author of Final Evaluation Report</i>	Maxwell Stamp Inc.
<i>Modifications from original executive Summary</i>	No changes made
<i>Date of this executive Summary</i>	August, 2018
<i>Number of pages of this Executive Summary</i>	8
<i>Executive Summary Approved for public disclosure by (name) and (date)</i>	IFC Consultant Raiomand Billimoria and Results Measurement Specialist Roshin Mathai Joseph. August, 2018

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## Executive Summary

Between 2012 and 2018, the World Bank and International Finance Corporation (IFC) established and implemented the Middle East and North Africa Micro, Small and Medium Enterprise Technical Assistance Facility (MENA MSME TA Facility), a multi-donor trust fund focused on improving access to finance for MSMEs in transitioning MENA countries. The Facility intended to provide Egypt, Jordan, Lebanon, Morocco, Tunisia, and the West Bank and Gaza with a comprehensive and coordinated approach to developing financial infrastructure, improving financial institutions, and aligning financial regulations. The World Bank Group (WBG) developed the Facility with US\$41 million in commitments from five international donors (the United Kingdom's Department of Foreign Development (DFID), the Swiss Secretariat for Economic Affairs (SECO), Canada's Department of Foreign Affairs, Trade and Development (DFATD), the Danish International Development Agency (Danida), and the Government of Japan.

### Description of Facility Activities

Under the Facility, the World Bank and IFC delivered nearly 90 technical assistance projects to government organizations, financial institutions, and MSMEs, all focused on strengthening the provision of finance to MSMEs, allowing the sector to grow towards its potential as an engine of job creation and inclusive economic growth. The Facility's technical assistance was organized into three distinct pillars:

**Pillar I – Enabling Environment:** This pillar supported policy makers in a range of activities designed to enable financial institutions and facilitate improved access to finance for MSMEs. Activities included technical support to government officials, capacity building to government agencies and building the financial infrastructure to increase access to finance, including credit bureaus, and loan guarantee facilities and other support.

**Pillar II – Advisory Services to Financial Institutions:** The Facility provided technical assistance to microfinance institutions (MFIs), banks and other financial institutions in an effort to expand the provision of lending and financial support to MSMEs. Activities included, advising on restructuring internal processes to ensure efficiency, compliance, and effective risk management, developing new financial products for MSMEs, and training staff on international best practices to more effectively access SMEs markets and better serve MSME clients (particularly women).

**Pillar III – Support and Training to MSMEs:** Through its third pillar, the Facility sought to support the provision of business development services, incubation, mentoring, training and networking to MSMEs. The pillar also supported businesses and entrepreneurs by supporting MSME networks, while scaling-up incubation of entrepreneurial MSMEs. Pillar III focused specifically on supporting youth and women, strengthening their position in the MSME sector.

In addition to providing target countries with a package of technical assistance, advisory services, and policy support, the Facility aimed to leverage WBG lines of credit, loans and equity investments by the IFC to expand MSME development. Since the Facility's launch, total WBG investments (loans and equity) in MSME-supporting activities have reached US\$2.32 billion.

### Evaluation Approach

As the final publication of an end-of-term evaluation of the Facility, this document presents an assessment of the Facility against the WBG's anticipated results, evaluation criteria put forward by the

Organization of Economic Cooperation and Development – Development Assistance Committee (OECD-DAC), and an assessment of WBG Additionality.<sup>1</sup> We also include in our evaluation an assessment of factors related to core Facility goals of improving access to finance, gender inclusion, the project’s ability to address economic fragility, evidence of systemic behavior changes, project risk management, and overall value-for-money.

The study is built on a strategic, theory-based evaluation of the facility structured around a reconstructed theory of change, allowing for an analysis of the above factors against critical assumptions and the context in which projects were developed. As such, our analysis recognizes assumptions about causal links, about implementation, and about context and external factors, providing a narrative highlighting the intervention’s overall logic. The analysis is then assessed against evidence from the Facility’s results. These are explored through six in-depth case studies of particular projects developed under the Facility, as well as a purposeful sampling of 20 additional projects.

Within our evaluation, we score the Facility projects against each of the evaluation criteria identified above. Each evaluation criterion score is provided on a 1 to 5 Likert scale, with 1 representing a poor result and 5 representing an excellent result. Our overall score assessing the Facility against OECD-DAC evaluation criteria and WBG Additionality is a high 4.0, supporting the conclusion that the Facility has successfully met its targets and delivered positive results. In particular, the Facility’s projects scored highly in terms of Relevance (4.5), Effectiveness (4.1), Efficiency (4.1), and WBG Additionality (4.3). Beyond evaluating the performance of the Facility along key dimensions described above, our team sought to draw lessons about what worked, what did not, and potential reasons why, as well as making recommendations relevant to future Facility design.

### **Key Learnings from the MENA MSME TA Facility**

The WBG’s MENA MSME TA Facility provided a rare systemic approach to resolving the long-term barriers facing MSMEs in terms of access to finance while addressing a host of related issues: resolving gaps in relevant legislation and regulation; improving the capacity of organizations designed to play intermediary roles between MSMEs and financial institutions (credit bureaus and registries, collateral registries, loan guarantee funds); steering financial institutions towards understanding the value proposition of lending to MSMEs while improving internal systems and developing new products to better serve MSMEs; and, providing support to MSMEs regarding business development services and improved capacity to access financing.

The overall success of the Facility’s approach was reflected in donor assessments of the Facility. While each donor had minor critiques, they were wholly supportive of the Facility and its approach, describing it as successful and a model for future approaches. As one donor noted, “In how [the WBG] managed and organized [the Facility], it is difficult to think of a better way of approaching it in this imperfect world in which we live.”

Donor reflections on the Facility, management, and project outcomes aligned with those developed independently by the Evaluation Team during its review of Facility documentation and stakeholder engagement. While the evaluation report provides detailed analysis of project results (and pillars) against the WBG’s logical framework (logframe), OECD-DAC evaluation criteria, WBG Additionality, and other identified evaluation criteria, we focus here – in the context of an executive summary – on core

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<sup>1</sup> WBG Additionality refers to the institution’s particular comparative advantage in leveraging its institutional capacities, skills and experience to deliver client services and address developmental challenges.

findings from our analysis. In this regard, there were several core factors driving success of the Facility and its ability to secure tangible positive outcomes in access to finance for MSMEs in the MENA region:

- Skilled practitioners: WBG staff brought a high level of technical skill and expertise to the projects developed under the Facility. Most projects supported under the Facility were highly technical, including development of credit bureaus and credit registries, loan guarantee facilities, collateral registries, structures for mobile payments, and laws and legal reforms in microfinance, leasing, lending, collateral registration, and Islamic finance, as well as banking and microfinance advisory services addressing risk management and new product development. Each element required a team of specialized experts, and the WBG was able to deploy such experts in each of these segments.
- Commitment to client success: WBG teams provided clients with sustained engagement, working closely and collaboratively with clients over time and allowing client organizations time to absorb technical assistance before moving forward. WBG teams had the flexibility to adjust project schedules to cater to client needs or to shift project scopes to meet client needs and demands.
- Collaborative partnerships with clients: The most effective projects were implemented within a collaborative framework, which often built on past and successful cooperation between the WBG and the partner organizations. Rather than providing clients with technical advisory services, WBG teams worked together with clients to understand needs, develop solutions (financial products, regulations, etc.), and begin implementation. This approach ensured solutions were informed by local needs and that clients moved forward in a sustainable manner.

Beyond the direct relationship with the client, the structure of the Facility, the types of projects supported and its management revealed the following strengths which serve as best practices for a Facility of this type:

- A systemic approach: The Facility's focus on the entire system, through its pillar structure, ensured that projects were implemented with an understanding of broad needs within each country's MSME ecosystem, as well as with concurrent investments in policy, the provision of financial services, and technical support for MSMEs.
- Regional nature of the Facility: The ability of the Facility to develop work programs for six countries in a regional framework was an important success factor. The regional approach allowed for development of (and experimentation with) approaches with direct application to others in the regional group, leading to applicable learning and knowledge exchange. Beyond this, the regional structure of the Facility had two practical effects on the Facility's impact, including:
  - Intra-regional knowledge exchange: In several cases, the WBG engaged regionally based organizations in collaborative knowledge sharing. Such exchanges are difficult in a single-country trust fund context, but they provide clients with an important source of peer-to-peer learning and a chance for clients to work with organizations operating in similar contexts, with similar goals and constraints, and in a common language.
  - Fungible resources: The structure of the Facility enabled the fungible distribution of resources from country to country and different projects as needs emerged and situations changed. When a project concept in one country (or with a particular client) was not advancing, the WBG could shift resources to more promising approaches or similar projects in other countries. This allowed flexible

use of resources, decreasing expenditures on unproductive products and overall Facility efficiency.

- Experimentation and innovation: Within the Facility, the WBG was able to bring many of these to bear in working with public and private sector clients to resolve finance barriers. However, there remains a need for experimentation with innovative approaches to such challenges. In several cases, Facility projects provided this opportunity. Such experiments do not always work as intended, but they provide valuable learning exercises informing future intervention design and improvements in approaches to access to finance.
- Leveraging resources: The multi-donor facility approach allowed each donor to leverage the other donor support. In addition, technical advisory services provided under the Facility enabled the WBG to leverage internal resources and country lending based on results. In terms of project outcomes, the focus of the IFC in securing client co-investment – paying fees for technical advisory services – was crucially important, signalling client commitment and ensuring received technical advisory services were used sustainably and profitably.
- Facility management: From a donor perspective, the management of the Facility by the joint World Bank and IFC team was effective, with donors commending the Facility management team for responsiveness and efficiency. Comprehensive donor participation in the design of the Facility's approach, priority concerns, and results management guaranteed that the Facility was informed by donor expectations, while the WBG's lead on project selection and implementation ensured that activities were led by its own technical insight.

In monitoring and evaluating projects under the Facility, the WBG co-developed its results management approach with donors and, using this approach, proved accountable to them. Working within the framework of internal reporting systems, they were able to deliver regular monitoring against the agreed-upon logframe in an efficient manner, important given the Facility's limited M&E budget and given the complex and diverse nature of the Facility's activities. Beyond this, the WBG was able to respond to donor needs through a variety of additional learning materials, not part of the original monitoring and evaluation approach. These included creating project-focused narratives, beneficiary profiles, case studies and SmartLessons, and the production of several project videos. These qualitative approaches provided donors and stakeholders with a better understanding of how projects were impacting end-beneficiaries. Steering Committee members were also provided opportunities to interact with client organizations and beneficiaries. The Facility management team should be lauded in this regard.

At the same time, and given the expanded budget that would be required for a more rigorous approach to monitoring and evaluation, we note several areas in which project results and learning could have been more ably captured. As such, we provide some critique of the Facility's M&E approach in an effort to inform future work with the WBG and the work of wider regional MSME ecosystem players. We do this with an understanding that, no matter how effective Facility projects are and how much they realize in leveraged financial resources and expanded access to finance, the WBG cannot resolve all of the challenges facing MSMEs in the region. As such, the added value of the Facility (and similar approaches) in leveraging learning is also important.

- Gender mainstreaming: While gender inclusion and the promotion of improved outcomes for women were at the center of the Facility's priorities, the Facility's approach to fostering women's access to finance was primarily dependent on focused women's projects (particularly in microfinance), while

other projects were implemented in a 'gender neutral' fashion. While this approach ensured that the WBG effectively met its obligations to donors, we emphasize that mainstreaming gender into projects – at least in terms of gender-differentiated results monitoring – would have provided additional learning relevant to creating improved outcomes for women-led MSMEs and helped build evidence of what works for men and women in improving access to finance.

- Broader monitoring and evaluation (M&E) learnings: Overall, IFC and World Bank efforts would be better informed by an approach that fully builds on a theory of change and informs progress against fully elaborated output, outcome and impact indicators. Such an approach would enable internal assessment and better learning in regard to the institutionalization and sustainability of technical assistance by clients; deeper analysis of outcomes against broad goals of gender, access to finance for MSMEs as end-users of technical assistance, and job creation; and more rigorous analysis of value for money.
- Integration of theory of change (ToC) and systems thinking: Improving access to finance is not linear and involves a large number of systems: effecting one (small) change often implies changes across a wide front. Within the Facility's systemic approach, significant thinking went into understanding systemic effects, but it could have been made more explicit. This point links both to the point made above about M&E overall and also to the interlinkages between pillars discussed below. A more comprehensive ToC at inception may have helped the WBG link outputs and outcomes better, particularly across pillars.

Beyond this, it should be noted that while the Facility had a large number of substantive advisory projects, it also included a number of smaller, more narrowly defined projects, heavily represented under Pillar III. Many of these projects evidenced sustainability flaws or a lack of strategies on which to leverage initial work into genuine outcomes and impact. Some made an impact initially, but projects ceased before implementation because of wider political changes or unsecured political buy-in and financial support. M&E for some of these projects was limited, which is understandable as tracking outcomes and impact for such projects can be difficult and intangible in research and capacity-building efforts. In this regard, developing M&E results frameworks on the basis of the WBG's 2009 Capacity Development Results Framework and the World Bank Institute guidelines would enhance outcomes measurement and learning.

## **Conclusion and Recommendations**

With discussions underway between the WBG and donors on a second phase of the MENA MSME TA Facility, our recommendations focus on how to restructure the approach in a potential Facility 2.0. We confirm the effectiveness of the Facility, its systemic approach, its country coverage (and, more broadly, its regional approach), and the management structure of the Facility. We would support the replication of the Facility approach going forward. Important components to the Facility's approach which should be carried forward include: a regional approach with fungible resources; project specification by WBG technical experts; continued use of (and expansion of) intra-regional cooperation and knowledge exchange; continued focus on securing financial leverage through client fees; and, expanded focus on experimentation with innovative approaches to building access to finance.

Faced with potential decreases in budget and changes to priority countries, the WBG should consider concentrating potential activities under a Facility 2.0 to include the most impactful approaches. We would encourage the two institutions to focus on engagement with governments on legal and

regulatory reform (Pillar I), support for enabling institutions like credit bureaus and loan guarantee facilities (Pillar I), and banking and microfinance advisory services (Pillar II). These activities build on the established WBG expertise and reflect the areas where the two institutions have the most value to add in comparison with other IFIs, donors, international non-governmental organizations, and private consulting firms.

This suggests the possibility of eliminating or curtailing Pillar III activities. Pillar III, focused on direct support for MSMEs, represents an essential pillar in the systemic approach proffered by the Facility approach, but the provision of technical assistance to MSMEs – through business development services, incubation, acceleration, business management training and similar activities – is a fairly saturated field in MENA. While the WBG does bring particular strengths to the question of supporting MSMEs, these may not be the best use of Facility resources. Should the WBG and Facility donors seek to maintain Pillar III as a component in Facility 2.0, we provide some advice on narrowing the approach and better ensuring impact:

- The WBG has tremendous power as a convener, based on established relationships with essential members of the MSME ecosystem (governments, private sector, NGOs) and its reputation as a sector leader. It should use this brand cautiously; bringing stakeholders together for one-off trainings and conferences yields little in terms of substantive gains over time. Developing a flagship study or conference series that brings key stakeholders and their perspectives together for sustained co-learning would be of benefit in fostering improvements across the ecosystem.
- The WBG's value added in supporting MSMEs is likely found in its linkages with other supporting organizations around the region, knowledge of best practices, and ability to bring stakeholders together in partnership. Towards this end, the WBG could leverage its position to help build country and regional networks among MSMEs, technical experts, BDS providers, and financial institutions, focusing on improving existing programs, reducing redundancies and restructuring poorly performing approaches.
- The WBG should support local solutions. Matching grants programs (like that developed under the Facility in Lebanon) would enable innovation at the local level, while ensuring direct support to MSMEs that is relevant to local conditions.

No matter the scope of the Facility and its ability to leverage additional resources, its reach in addressing the access to finance challenge in the region will have limits. As such, its real power is in leveraging knowledge, using Facility projects to build evidence of what works in facilitating access to finance. The Facility should embrace this as a core goal:

- Projects should be gender mainstreamed, considering differential potential impacts on men and women in the design of the project. Gender-disaggregated results should be collected and analyzed.
- Efforts should be taken to collect data on end-user beneficiaries and track long-term outcomes and impacts (including jobs), as well as more data for more qualitative indicators – beyond those allowed for by internal program management systems - for a significant share of Facility projects. Deeper results data from these projects should be analyzed to better understand what works for access to finance and to communicate these findings to the wider ecosystem.
- The WBG should consider developing several projects under the Facility – those that are experimental and innovative, or those believed to have significant impact on access to finance but where evidence

is missing – to enable the implementation of a scientific impact evaluation. Impact evaluations remain the sole means of securing confident estimates of net project value for beneficiaries, and they provide important learning tools for the wider development community. It is likely that the WBG could find additional support for this from 3ie, the ILO’s Tameem Initiative, or internally through the WBG’s Development Impact Evaluation (DIME) initiative.

These recommendations and efforts to address many of the areas of concern in this evaluation raise costs in a context where the WBG is attempting to maximize project expenditures and ensure that monies are going to benefit MSMEs as much as possible. It is important that any future Facility have a separate M&E budget focused on developing results management and evaluation studies that inform donors, internal stakeholders, and – most importantly – the wider community working to improve outcomes for MSMEs and enable access to finance.