# PCR EVALUATION NOTE

| 1. Basic Project Data | | | | |
|---|---|---|---|---|
| Country: | **Egypt** | Project SAP Reference: | **2000130001930** | |
| Project Title : | **Micro and Small Enterprise Support Project** | | | |
| Sector : | **Social** | | **Appraisal** | **Actual** |
| Theme | | Project Costs (MUA) | 60.64 million | |
| Amount cancelled | | Loan (MUA)/<br>Grant | 60.00 / $ 87,150,000<br>0.60 million | US$87.150 M<br>US$ 279 460 |
| PCR Date | | Co-financing/Govt UA<br>GOE | <br>0.04 million | |
| PCR Evaluation Note Date | November 2010 | Board Approval Date | October 2006 | |
| Partners | | Signature Date | | |
| | | Effective Date | 01 Jan 2007 | 19 June 2007 |
| | | Project Completion Date | 31 December 2011 | |

| Project Officers (Names) | Designation (HQ or FO) | From (mm/yy) | To (mm/yy) |
|---|---|---|---|
| E.G. Taylor Lewis | Sector Director | 2006 | |
| A. Komena, Ag. | Division Manager | 2006 | |
| Y. Baldeh | Task Manager | 2006 | |
| J. Kolster | Regional Director | 2010 | |
| T. Hurley | Sector Director | 2010 | |
| - | Division Manager | 2010 | |
| Y. Baldeh | Task Manager | 2010 | |
| Evaluator/consultant: **Judith OFORI** | | Peer Reviewer/Task Manager: **T. Foday** | |

**2. Project Description (summary from Appraisal Report including addendum/corrigendum or loan agreement)**

a. Rationale and Expected Impacts:
The project is the result of the Government of Egypt's effort to address the huge unemployment (11.7% in 2005) situation that has aggravated poverty levels of its population, through promoting economic growth by the creation of employment opportunities, especially for new entrants in the labour market.

Expected impact is Decreased poverty level and improved socio-economic indicators for the targeted beneficiary population.

b. Objectives / Expected Outcomes:
The project objective was the creation of sustainable jobs and increasing income generating opportunities for the economically active poor, resulting to decreased poverty levels and improved socio-economic indicators in the long-term.

Expected outcomes were set for medium and long term as: Medium term: i) Conducive business and regulatory framework for MSE growth and development; ii) Improved institutional capacity of SFD and financial intermediaries for MSE financing; iii) Increase in the number of MSEs with access to finance; and the long term outcome: Decreased poverty level and improved socio-economic indicators.

c. Outputs and Intended Beneficiaries:
Planned project outputs include: i) New MSEs established and old ones expanded; ii) Improvement in the operational and financial performance of SEDO and the intermediaries; and iii) At least a net of 3.3 jobs created per enterprise supported.

Intended project beneficiaries:
The project would broadly target micro and small enterprises with focus on i) inhabitants of low-income communities with high poverty and unemployment indices; ii) the unemployed, especially new graduates; iii) women entrepreneurs; and iv) franchisees. Special attention was to be paid to new entrants into the labour market. Positive discrimination in favour of women as a marginalised group in the targeting of project resources especially under the microfinance credit facility. Selected intermediary banks and NGOs, and the end-borrowers (micro and small enterprises) through the SFD would benefit from the complementary technical assistance activities of the project.

d. Principal Activities/Components:
Planned project components and activities were**:** Component I Line of Credit: Credit facilities provided by SFD to intermediaries for lending to MSEs;

The project was planned with two components namely: i) *Line of Credit*, which will be geared towards the provision of loans to commercially viable micro and small enterprises for their working and investment capital needs, and ii) *Technical Assistance*, which would be funded through the MIC Trust Fund with the following activities: 1) Organisation Policy Dialogue workshops; 2)Provision of business development services to MSEs; 3) Training of staff of SFD and intermediaries; 4) Business Advisory services to MSEs (mentoring); 5) Development of a functional Monitoring & Evaluation Plan; and 6) SEDO Product Diversification Study undertaken

**3. Evaluation of Design and Implementation**

a. Relevance of Project Design:

The project design was relevant to the country's development priorities and was ready for implementation. It was consistent with development priorities; and set within the parameters of the country's Vision 2022 and the Government's 6th National Development Plan that targeted poverty reduction, job creation and economic growth.
The project was also consistent with the Bank Group's updated Country Strategy Paper for Egypt (2006).

There were no reported changes to the project design, during implementation.

b. Project Cost (including Borrower Contribution), Disbursements, and Adherence to Schedules (as relevant to project performance):
All the UA 60 million (USD 87,150,000) and USD 279,460 {100% and 28%} of the loan and grant of UA 60 million and UA 0.60 million (USD 871,500) was disbursed as at PCR production.

No detail was provided on actual Borrower contributions on the planned USD 58,100 (UA 0.04 million) at the time of the PCR.

The project become effective on 19 June 2007, five (5) months later than the planned date of 1 January 2007; the project is still on-going, the PCR was undertaken, two (2) years into the five (5) year implementation period as the total loan was disbursed.

c. Implementation Arrangements, Conditions and Covenants, and related Technical Assistance:

The PCR's coverage of implementation arrangements' was satisfactory; it covered arrangements for project management, the review of the SFD structures, processes and capacity, the role of project coordinator as well as policies and systems to be used in implementation.

The PCR's coverage of conditions and covenants was inadequate; it did not give satisfactory details of adherence to and compliance of the various conditions and covenants.

The PCR did address the performance of consultants on component I (loans to MSEs); it also covered the challenges in implementing the Technical Assistance component of the project.

d. Monitoring & Evaluation Design, Implementation, & Utilization:
The PCR's over-all assessment of M&E is 'Good'; which was downgraded by the Evaluation Note's to '**fair**'. Both the PCR and The Evaluation Note rated the design of M&E as 'good'; there was no PCR rating of M&E implementation; which the Evaluation Note rated as 'fair' based on evidence provided by the PCR; the PCR also rated M&E Use as good – resulting in the over-all rating of 'good'.

e. Other Issues (such as Safeguards, Fiduciary):
The PCR's assessment of fiduciary requirements, safeguards and covenants as well as harmonisation was satisfactory.

**4. Evaluation of Performance**

a. Relevance of project objectives:

The project objectives were relevant at design, during implementation and will ex-post (project is still on-going) to the Egypt's development priorities set in its Long-Term Development Vision 2022 as well as the government's 6th National Development Plan.
The objectives were equally relevant to the Bank's updated country strategy for Egypt (2006) the period which focused on pro-poor economic growth, job creation and sustainable poverty reduction.
(See assessment in annex 1 for details).

b. Effectiveness in Delivering Outputs;

Most of the planned outputs of the loan to MSEs (main project component I) were delivered; 80% of the loans to MSEs were on-lent two years into the 5 year implementation period. The Technical Assistance/capacity building component II of the project had hardly commenced, due to challenges in procurement processes resulting in delays in implementing the panned activities. (See PCR/Evaluation note's annex).

c. Effectiveness in Achieving Outcomes:

At the time of PCR, the achievement of project outcomes was just a marginal 'good', as the project was evaluated two (2) years into the scheduled five (5) years implementation; the timing is too pre-mature to adequately assess the effectiveness in achieving project outcomes. (See PCR/The Evaluation note's annex).

d. Efficiency in Achieving Outputs and Outcome:

The outputs and outcomes realized achieved at PCR were achieved two years into project implementation with 100% of the loan and only 28% grant of the Bank Group resources was disbursed.
The PCR calculated rates of return for 17 sub-projects all of which showed positive returns.
The over-all assessment of the efficiency project outputs and the outcomes is rated as 'good'.

e. Project/Development Outcome (PO):

The assessment of project outcome is rated a marginal '**good**' by the Evaluation Note. It should be noted that two (2) years into project implementation is too pre-mature for an objective assessment of project development outcomes.
(See above and appendix).

f. Risk to sustained achievement of Project Outcomes:

The PCR looked listed a number of risks that if put together could be rated as substantial.

They include i) Very weak funding proposals from a number of NGOs to be considered for participation in the project.
ii) Implementation delays, iii) Lack of beneficiary database and baseline; iv) Five (5) major concerns needed to be addressed for the viability of direct lending concept of the project and v) The serious implementation delays of the TA grant, for institutional capacity building for SFD.
Additionally, the PCR in its annexes noted with concern that SFD is not regulated by the Central Bank and may not have the necessary structure and procedures in place that banks have to mitigate any lending risks.

The details are stated under 'risks to development outcome' in the annexes.

g. Additional Outcomes/Impacts:

The PCR gave nine (9) additional outcomes it perceives as not envisaged and captured in the project document.
However, only two of the given nine in the review document's opinion are additional outcomes:
These are:
i) SFD's provision of additional non-financial business development services, such as the preparation of project pre-feasibility studies, basic management and book-keeping training, participation in marketing exhibitions to beneficiaries; and
ii) The Bank's intervention and successful project implementation encouraged other donors to support the SFD in promoting MSE development, particularly JICA, the WB and currently the AFD.

h. Performance of Borrower:

Both the PCR and the Review Note rated Borrower performance as '**good**'; even though the Review Note's rating is marginally lower than the PCR. The sub-components under 'design and readiness is rated 'fair' and 'Implementation' rated as 'good' by the PCR; both sub-components were rated 'good' by the Evaluation Note.
Details of the assessment and ratings of PCR and Evaluation scores are included in annex I.

i. Bank Performance

Both the PCR Evaluation note and the PCR rated Bank's performance was rated as '**good**' even though the evaluation note's rating is marginally lower than the rating given by the PCR . The PCR rated both sub-components under 'design and readiness and 'Implementation' as 'very good' – these were rated by the review Note as 'good'.
Details of the assessment and ratings of PCR and Evaluation scores are included in annex I.

i. Overall Assessment:
The project completion report mission was undertaken two (2) years into the five (5) year implementation on the basis that the loan component of the project was fully disbursed. Most of the project outputs planned in component I of the project were

realised; the project outcomes however were mixed; more so because it is too premature to objectively assess impact and outcomes of the project on the intended beneficiaries!

**5. Key Lessons, and Recommendations**

The PCR gave a total of twenty three (23) lessons learnt, under 3 categories of i) Policy level; ii) Implementation level; and iii) for the Bank.
A number of the lessons given are actually recommendations made.
The lessons and recommendations are summarised in the annexes under 'Quality of PCR' – Lessons learnt.

| **6. Ratings:** | **PCR** | **OPEV Review** | **Reason for Disagreement/Comments** |
|---|---|---|---|
| Relevance: | 4 | 4 | The project was relevant to the Egypt's development priorities. It is also relevant to the Bank's country strategy of 2006. |
| Effectiveness in delivering outputs: | 3.3 | 2.5 | Most of project outputs of component I were delivered; those of component II however are yet to be realised. |
| Effectiveness in achieving outcomes: | 3 | 2.6 | The project is two years of its implementation, as such even though a number of the short-term outcomes were met; it is premature to assess the effectiveness of achieving outcomes. |
| Efficiency in achieving outputs & outcomes -Timeliness: | 4 | 3 | The project had completed most of its outputs in the main component two years into the planned 5 years implementation period; outputs of the other component however are very much behind schedule. |
| Efficiency in achieving outputs & outcomes –other criteria | - | 3 | The PCR calculated financial returns on 17 sub-projects funded under the SFD: (7) micro enterprises and ten (10) small-enterprises that analysed the current situation of the projects that are funded under the activities of the MSE.<br>All the 17 projects showed overall positive value. |
| Overall efficiency in achieving outputs & outcomes | - | 3 | This is based on timeliness and an assessment of rate of returns for 17 sub-projects mentioned above. |
| Risk to Development outcome: | - | 1 | The risks to development outcome are substantial |
| Borrower Performance: | 3.2 | 2.7 | Good |
| Bank Performance: | 4 | 3 | Good |
| Quality of PCR: | - | 3 | Satisfactory |

**7. Comments on PCR Quality and Timeliness**

The PCR was satisfactorily written. It provided the evidence in most cases to substantiate the ratings of the various sections.
Most of the outputs and outcomes were well assessed and adequately rated; however only outputs of component I were reported on in the main report, the results of component II in the annexes – which had to be reconstructed.
The PCR rating of the component texts are mostly consistent with the ratings in most of the components.
The PCR gave reasons for the delay in implementation of Component II, which is very much behind schedule.
The PCR's assessment of safeguards and fiduciary issues was inadequate; its assessment of harmonisation is however satisfactory.
The PCR generated enough data, which was well analysed.
It calculated rates of return for 17 sub-projects.
The PCR provided adequate and accessible evidence on project implementation.
All the required enclosures were provided.
The PCR in its annexes gave details of project implementation; details of on-lending portfolio; status of the grant component of the project outstanding issues as well as efficiency and self sufficiency indicators.
The PCR gave twenty-three lessons learnt and recommendations to both the Bank and the Borrower.

PCR timeliness: the PCR mission was undertaken two years into the planned five-year implementation period.

Details of PCR quality assessment as well as compliance with PCR guidelines and pertinent OPEV guidelines can be found in the attached annex I of the Evaluation Note.

## 8. Priority for Future Evaluative work: Project for Performance Evaluation Report, Impact Evaluation, Country/Sector reviews or Thematic Evaluation Studies:

- Project is part of series and suitable for cluster evaluation ☐
- Project is a Success Story ☐
- High priority for impact evaluation **X**
- Performance evaluation is required to sector/country reviews ☐
- High Priority for thematic or special evaluation studies (Country ) ☐
- PPER is required because of incomplete validation rating **X**

**Major areas of focus in future evaluation work:**

**Follow Up Action by OPEV:**

As the project's completion report was produced two (2) years into its five (5) year implementation period; a PPER is recommended for the Project after the planned completion period to assess project outcomes and impact on intended beneficiaries.

**Division Manager Clearance** **Director Signing Off**

**Data sources for validation:**

- **Task managers/Bank staff interviewed/contacted (by email)**
  i) Task Managers, Mr. Y. Baldeh; Mrs. G. El Sokkary by email and phone.

- **Documents/reports and database**
  1. Project Appraisal Report 31 August 2006
  2. CSP 2007-2011
  3. Project Supervision Reports and Aide Memoires
  4. SFD Reports
  5. Project Launching Mission Aide Memoire 11-14th February 2008

**Attachment**: **PCR Evaluation Note Validation Sheet of Performance Ratings**

# PROJECT COMPLETION REPORT EVALUATION NOTE
## Validation of PCR Performance Ratings

PCR Rating Scale:

| Score | Description |
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| **4.** | **Very Good** – Full achieved with no shortcomings |
| **3.** | **Good** – Mostly achieved despite a few shortcomings |
| **2.** | **Fair** – Partially achieved. Shortcomings and achievements are roughly balanced |
| **1.** | **Poor** – Very limited achievement with extensive shortcomings |
| **UTS** | Unable to score/rate |
| **NA** | Non Applicable |

| Criteria | Sub-Criteria | PCR Work Score | OPEV Review | Reason for deviation/ Comments |
|---|---|---|---|---|
| **Relevance of project Objectives & Design** | **Relevance of project Objectives** | | | |
| | 1. Project objectives were relevant to country development priorities. | 4 | 4 | The project was relevant to and consistent with Egypt's development priorities. The project is set within the parameters of the country's Long-Term Development Vision 2022 and aligned with the GoE's 6th National Development Plan targets for poverty reduction, job creation and economic growth. |
| | 2. Project Objectives could in principle be achieved with the project inputs and in the expected time frame. | 3 | 4 | Project objectives could be achieved within the time-frame with the inputs provided. The evidence on the ground showed that there may even have been over estimation of the time-frame at least achieving of Micro and Small Enterprises accessing financial services.<br>The project is scheduled to end in December 2011;<br>20 months into a 60 months of implementation; the Bank had disbursed the full loan amount (US$87.15 million); SDF, the implementing agency had committed 88% of the loan and 80% of which was transferred for on-lending to micro (US$7.446) and small ($62,014,425) enterprises.<br>The TA component of the project however has been slow, due to capacity weaknesses in procurement processes.<br>One other indicator "increase in market penetration rate of MSE lending" was hard to obtain and attribute to the project<br>**The rating is increased because at the current implementation rate, all objectives could in principle be achieved within the planned 60 month implementation time-frame.** |
| | 3. Project Objectives were consistent with the Bank's country or regional strategy | 4 | 4 | This project is in line with the Bank's assistance strategy for Egypt, as contained in the Country Strategy Paper (CSP) updated in 2006, which recommends financing activities geared towards pro-poor economic growth, job creation and sustainable poverty reduction. |
| | 4. Project Objectives were consistent with the Bank's corporate priorities | 4 | 4 | The project is also consistent with the Bank's corporate priorities of poverty reduction, economic growth, private sector development and gender equality as well as in conformity with the Bank's policy and strategy on microfinance. |
| | 5. Ex-post Relevance of objectives | - | 3 | The project is relevant ex-post as at design to support and sustain the creation of jobs and increasing income generating opportunities for the economically active poor, to decrease poverty levels and continue to improve socio-economic indicators in the country. |

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| | **Relevance of project Design -Project Design & Readiness for Implementation** | | | |
| | 1. The log frame presents a logical causal chain for achieving the project development objectives. | 4 | 4 | The Appraisal Report produced a log-frame that clearly set out project outputs and outcomes in a logical manner to achieve the project's development objectives. |
| | 2. The log frame expresses objectives and outcomes in a way that is measurable and quantifiable. | 3 | 3 | The log-frame did state project outcomes and gave indicators to aid monitoring the achievement of project objectives. There however was lack of baseline information and reported weak national statistics that could affect the M&E. Even though there |
| | 3. The log frame states the risks and key assumptions. | 4 | 2 | The log-frame stated two key risks linked to project outcomes. The log-frame however did not state or address any risk linked to project outputs. |
| | 4. Project complexity was matched with country capacity and political commitment. | 4 | 4 | The political commitment of the government to the project is evidenced in its eagerness to address poverty reduction within its population by supporting and enhancing MSE development in Egypt to create more jobs; reduce the unemployment rate that will contribute to reducing poverty in the country.<br>The project complexity matched the country's capacity as even though it is scheduled to end in December 2011; most of the outputs were achieved within the first 2 months of the 60 month implementation period. |
| | 5 Project design includes adequate risk analysis. | 4 | 3 | The project design within the Appraisal report addressed three key risks on:<br>a) Credit Risk: the inconsistencies in the credit risk management by the SFD;<br>b) Exchange Rate Risk; The reliance of SFD on donor loans that are mostly foreign currency dominated; and the exposure to exchange rate fluctuations; and<br>c) Portfolio Quality: the varying quality of intermediaries that will be on-loaning to beneficiaries; their ability to manage their respective portfolios.<br>The appraisal document focused the risks on component I 'Line of credit' to provide credit facilities through SFD to intermediaries for lending to MSEs; and no risks on component II 'Technical Assistance' component of the project. The project during execution saw major delays in implementation rate; mainly in the procurement of consultants under the grant component, either in weakness in the TOR-related development that required revisions or weak responses to bids or consultants apologizing after being contracted.<br>Had the Appraisal report identified these risks, mitigating measures would have been put in place to address the risks. |
| | 6. Project procurement, financial management, monitoring and/or other systems were based on those already in use by government and/or other partners. | 3 | 2 | All procurement of goods, works and services financed by the Bank were to be in accordance with the Bank's *Rules of Procedure for Procurement of Goods and Works* or, as appropriate, *Rules of Procedure for the Use of Consultants.*<br>The disbursements of funds by ADF and TAF were also to be effected in accordance with the rules and procedures of the Bank.<br>Other activities such as credit for MSEs, the project used the SFD credit policy which was reportedly reviewed and deemed adequate by the Bank; additionally, the project also used its own monitoring and financial |

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| | | | | management system. In terms of reporting, the project developed a reporting format which was later replicated for other donor-supported projects. |
| | 7. Responsibilities for project implementation were clearly defined. | 4 | 3 | The design did set out the implementation arrangements for the various agencies involved in the execution of the project; ranging from Government officials, Governorate officials; the SFD, SEDO; finance institutions; and the MMSEs.<br>The Appraisal document covered the Executing Agency; the Institutional arrangements within which details of the Project Management, delivery approach and the loan processing cycle were given.<br>The implementation arrangements of the grant component however was not that clearly defined. |
| | 8. Necessary implementation documents (e.g. specifications, design, procurement documents) were ready at appraisal. | 3 | 2 | The project at design did not have the necessary procurement documents which were to be developed with technical assistance; this however has delayed the delivery of activities with the predictable negative impact on implementation of the grant component.<br>There was no information on the availability of other implementation documents at appraisal. |
| | 9. Monitoring indicators and monitoring plan were agreed upon during design. | 3 | 3 | The project design, gave monitoring indicators that included: i) Number of jobs created; ii) Number of MSEs supported; iii) SFD Financial Performance; iv) Banking system's MSE penetration rate; and v) Survival rate of MSEs for component one; and for component II: i) Number of jobs created; ii) Disbursement Rate; iii) SFD Loan Portfolio Quality; iv) Number of sub-loans to MSEs; v) Number of policy changes observed; and vi) MSEs survival rate and business performance |
| | 10. Baseline data were available or were collected during design. | 2 | 1 | Baseline data was not available during project design; these were due to be collected under technical assistance. This has not taken place as there was a delay in the procurement process and the consultant selected declined the assignment further delaying it. The project tried an alternative, which was it developed which was circulated to end-beneficiaries. The questionnaires after review were found to have been inadequately answered resulted in the failure of the initiative too. The project therefore failed to design and collect baseline date. |
| **Achievement of Project Outputs *** | **Component I - Output 1**<br>At least US$ 87.150 Million disbursed to MSEs. | 4 | 4 | Within 20 months of first disbursement, the Bank had disbursed the full loan amount (USS 87.150M) to SFD. In turn, by December 2009, SFD had committed 88% and transferred 80% of this amount to financial intermediaries for on-lending. At the level of the financial intermediaries, 100% of the amount received from the SFD (USS 62,014,425 for small enterprise lending and US$ 7.446 M for micro-lending) had been on-lent to end-beneficiaries at the time of PCR. In the case of microfinance an additional sum of US$ 4.8M had revolved at the NGO level, and was also on-lent.<br>The remaining funds with the SFD (US$ 10,068,578) are being planned for disbursement throughout first half of 2010. |
| | **Component I - Output 2**<br>2. Repayment rate of at least 95% achieved. | 3 | UTS | Even though the project fully disbursed much of the loan for on-lending (details above); loan repayments cannot be accurately assessed because most loans issued are still in the grace period. |

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| | | | | Even though the PCR had given some details of some of the repayments made; the project is only two years into the five year implementation period; The indicators given on the repayment rates are not clear; which level of repayment? Intermediaries or MSEs? and repayment rates can only be accurately as well as objectively assessed after the planned five years of implementation. |
| | **Component I - Output 3**<br>At least 35% of SEDO portfolio and 60% of the MFS portfolio is lent to women. | 2 | 3 | At the time of the PCR reporting (2 years into the 5 year program); lending to women reached 25% under the small enterprise component and 39% under the micro-finance component. Compared with the ratio of female borrowers in the overall SFD portfolio (around 29% under SEDO and 50% under MFS) the project ratios are below target. According to the PCR, a more thorough analysis of the project portfolio indicated that factors such as geographical location, nature of projects, loan amounts and awareness are all factors which influence lending to women.<br>The delay in the project's technical assistance (TA) component to build the capacities of the implementing agency and intermediaries would have improved the lending rates to women.<br>**The Evaluation note of the view that even though the ratios are below target; the addressing the factors identified together with implementation of the TA could improve the lending to women hence increasing the rating score.** |
| | **Component I - Output 4**<br>At least 60% of the MFS portfolio is allocated to Upper Egypt. | 4 | 4 | 69% (LE 30.85 M) of the loan in the MFS lending portfolio was committed loans to Upper Egypt at PCR; 9% higher than the appraisal target. |
| | **Component II – Output 1**<br>Policy reforms for MSE growth and development undertaken | - | 3 | As at end of Dec. 2009, 28 workshops took place on the business and regulatory environment reforms for a total of 476 participants (60 SFD staff, 205 beneficiaries, 211 procurement managers from governmental agencies). |
| | **Component II - Output 2**<br>At least 100 SFD staff and 100 staff of intermediaries receive advanced business management training | - | 2 | According to the PCR, The contract for the Training needs assessment and implementation was signed with an organisation on 20/12/2009; this was after delays in tendering process in which some tenders were disqualified and re-tendering done.<br>The implementation is behind schedule. |
| | **Component II - Output 3**<br>At least 500 MSEs from 5 MSE Clusters receive business development and advisory services (mentoring) | - | UTS | A workshop to raise awareness on banking for SMEs was held with Audi Bank on 19/8/2009.<br>No details of representation of participants from clusters the intended small enterprise clusters were given. |
| | **Component II - Output 4**<br>A product diversification study undertaken and Business Plan developed for SEDO | - | 1 | **According to the PCR, SEDO is at the time of producing the PCR reviewing the short list to rank the consultants and then obtain no objection from the AfDB.**<br>The implementation is very much behind schedule, as the Business Plan was to be the working document for SEDO. |
| | **Component II - Output 5**<br>Survival Rate of MSEs increased from the current level of 85% to at least 95%. | - | UTS | |
| | **Component II - Output 6**<br>Recruitment of an international consultant to develop a **M&E Plan** | - | 2 | According to the PCR; the contract was signed with the consultant on 22/12/2009.<br>The M&E plan was to be developed in 6 months of project implementation to ensure adequate monitoring |

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| | | | | project activities; and this has very much fallen behind schedule. |
| | **Component II - Output 7**<br>Development of Microfinance Best Practice Handbook to be used by staff of SFD and the intermediaries | - | 2 | According to the PCR; the contract was signed with the consultant in January 2010.<br>The implementation is behind schedule to fully serve its intended purpose. |
| | **Component II - Output 8**<br>Organization and implementation of policy dialogue workshops, seminars and public awareness campaigns and advertising for business and regulatory environment reforms. | - | 3 | The PCR reported 28 workshops took place for a total of 476 participants (60 SFD staff, 205 beneficiaries, and 211 procurement managers from governmental agencies) as at the end of Dec. 2009.<br>The program design did not specify any number of workshops, but the 28 workshops organised appear adequate for the purpose. |
| | **Component II - Output 9**<br>Provision of short term (not exceeding four weeks) overseas fellowships to at least 6 SFD staff in the area of microfinance, MSE development, project management. | - | 1 | According to the PCR, no action has taken place in relation to the planned activity. |
| | Overall Output weighted Score | **3.3** | **2.5** | **The PCR only scored outputs from component I, even though it reported on the performance of activities of component II (Technical Assistance) in the annexes of the report, these had to be reconstructed by the Review Note.** |
| **Achievement of Project Outcomes** | **Outcome 1**<br>About 18,000 small enterprises supported leading to 60,720 additional jobs | 3 | 3 | At PCR, (after 2 years of a 5-year implementation period); 6,424 small enterprises were assisted that created 45,725 jobs (36% and 75% of the 5-year target respectively).<br>The review Note agrees with the PCR that, at the rate it is realistic to assume that the targets will be reached, and if sustained, could be exceeded, over the life-time of the project. |
| | **Outcome 2.**<br>About 50,000 micro-entrepreneurs supported leading to 60,000 jobs | 3 | 3 | At PCR, 18,244 were micro-entrepreneurs supported and 20,404 jobs were created (representing 36% and 34 % of the 5-year project target respectively).<br>As above, with implementation rate sustained over the remaining three years; the project should achieve the planned target. |
| | **Outcome 3**<br>Increase in MSE lending penetration rate of banks from 10% to 35% | 3 | UTS | According to the PCR, the outcome cannot be entirely attributed to the project. As per the NBE's (Central Bank of Egypt) assessment, the penetration rate of banks in the SME sector has increased by 10% during 2009. SFD at project level contracted two new banks during this project, working for the first time in SME sector (Audi Bank and Faisal Islamic Bank). The NBE MSE portfolio according to NBE reporting had increased by approximately 25% over 2 years from LE12.7 Billion in 2007 to LE 15.9 Billion in 2009. |
| | **Outcome 4**<br>SEDO and MFS achieve full operational efficiency and financial self-sufficiency | 3 | 3 | The PCR gave a number of indicators that were used in assessing the outcome, but without given baselines, it is difficult to adequately assess the outcome; the indicators used include:<br>i) increase in portfolio size of 14% between 2006 and 2007; and 7% between 2007 and 2008);<br>ii) increase in revenue of 59% between 2006 and 2007; and 37% between 2007 and 2008;<br>iii) Increase in operating expenses of 10% between 2006 and 2007; and 28% between 2007 and 2008). The substantial increase in operating expenses in 2008 was |

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| | | | | due to the investment costs related to the setting up of 17 one-stop-shops, and expansion of staff. The efficiency ratio (calculated as: revenues over expenses) improved from 3.31 in 2006, to 4.8 in 2007, and to 5.1 in 2008;<br>iv) amount of loans received/amount of loans disbursed, 468% in 2005, 1141% in 2006, 227% in 2007 and 113% in 2008. **This indicator showed much better outcomes in the years preceding this project intervention.**<br>v) Self-sufficiency, calculated as (total grants/total revenues) registered 70% in 2005, 63% in 2006, 80% in 2007 and 94% in 2008; **the self sufficiency rate however has shown improvement over the years**; the outcome cannot be entirely attributed to the project's intervention. |
| | **Outcome 5** (was output3 in the PCR) SEDO Portfolio at Risk (PAR) rate reduced from the current rate of 14% to lower than 4%. | 3 | 2 | At Sept 2009, the PAR was 12%, which is a slight improvement in 2 years into the 5 year program; but the rate of improvement lags behind the target. The low rate of achievement could be attributed to the slow rate of the technical assistance capacity building component to assist in enhancing the performance of SEDO and MFS of which many activities are yet to take place. |
| | **Outcome 6**<br>Conducive business and regulatory framework for MSE growth and development. | - | UTS | There was no available information to rate the outcome. |
| | **Outcome 7**<br>Improved institutional capacity of SFD and financial intermediaries for MSE financing | - | 2 | The ability of SFD and the intermediaries being able to commit nearly 90% of the loan resources for MSE financing showed a satisfactory capacity, however, the very slow implementation of the project's TA/capacity building component would suggest the planned outcome has not been achieved. |
| | **Outcome 8**<br>Increased number of MSEs with access to Business Development Services (BDSs) | - | UTS | The PCR did not give details of the actual number of MSEs with access to BDSs. the slow rate of the technical assistance capacity building component to assist in improving BDSs would inevitably affect the achievement of the outcome.<br>Without baseline figures and actual targets achieved; it is impossible to rate the outcome. |
| | **OVERALL PROJECT OUTCOME SCORE** | **3** | **2.6** | **Good**<br>**The PCR gave for the first outcomes, Outcome 5 was given as an output; outcomes 6 to 8 were taken from the Appraisal report and where there is available evidence and data, they were rated.**<br>**The project was evaluated 2 years into the planned 5 years implementation; this is premature to adequately assess project outcomes.** |
| Additional Outcomes (not captured in the log-frame) | **Institutional Development** | - | 2 | Even though some policy dialogue workshops, seminars and public awareness campaigns and advertising for business and regulatory environment reforms had taken place; the bulk of technical assistance/capacity building activities planned for institutions involved in implementing the project did not take place. |
| | **Gender** | - | 3 | The project design adequately addressed gender concerns and issues.<br>At least 35% of the loans under the SEDO Portfolio were to be for women entrepreneurs, and at least 40% of the loans should be to new enterprises including franchisees. At least 60% of the loans under the SDF portfolio were to be for women entrepreneurs, at least 60% of the loans should be disbursed to micro enterprises located in Upper Egypt, and at least 50% of the loans should be to first time borrowers.<br>The SDF Gender Unit is reported to have been closed |

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| | | | | down, with the intention that gender should be mainstreamed into all SDF operations; but that appears not to have been very successful as the PCR recommended that the SDF need to exert more effort integrating gender in its activities including M&E.<br>Women beneficiaries interviewed, whether under the SEDO or microfinance, are reported to have asserted the benefits accrued from the loan whether in terms of economic empowerment and sense of achievement or in terms of an improved standard of living.<br>At current lending levels, 31.7% of MSE beneficiaries are women. |
| | **Environment & Climate Change** | - | 3 | The project was category III classified,<br>Although the activities to be financed in this project are not expected to have negative environmental effects, all sub-loans to be supported by the project under the credit facility to Banks would need to be screened for environmental sensitivity before approval; and monitored by the Environmental Development Department during implementation.<br>As an integral part of the loan appraisal process, an environmental screening is carried out by SFD on all enterprises requesting for loans above LE25, 000.<br>The governorate-level Environment Management Unit and the Egyptian Environmental Agency Regional Branch Office.<br>But there is no environmental screening for micro projects. |
| | **Poverty Reduction** | - | 3 | The project within 2 years assisted 6,424 small enterprises and created 45,725 jobs (36% and 75% of the respective targets). Additionally, 18,244 micro-entrepreneurs were supported and 20,404 jobs (36% and 34% of the respective targets).<br>The enterprises supported and the jobs created, will undoubtedly go a long way in reducing poverty levels of the entrepreneurs and the newly employed. |
| | **Private Sector Development** | - | 3 | All the MSEs are privately owned businesses that are being supported and strengthened. |
| | **Regional Integration** | - | - | N/A |
| | **Other (Specify)** | - | - | N/A |
| | **OVERALL PROJECT ADDITIONAL OUTCOME SCORE** | **-** | **3** | **Good** |
| Efficiency in achieving outputs & outcomes | Timeliness | 4 | 3 | The Project is scheduled to close in 31 December 2011, and is still on-going.<br>There was a five (5) delay in effectiveness from 1 Jan. 2007 to 19 June 2007.<br>Most of the outputs on component I – loans/credit to MSEs were achieved two years into the five year implementation; there however some delays in the implementation of Component II. The main delay experienced by the project in this component was related to the procurement of consultants under the grant component. Delays were either TOR-related and required revisions; or occurred due to circumstances beyond the control of the SFD such as weak responses to bids or consultants apologizing after being contracted. |
| | Rates of returns<br>(Specify if applicable) | - | 3 | The PCR calculated financial returns on 17 sub-projects funded under the SFD: (7) micro enterprises and ten (10) small-enterprises.<br>The financial returns' was to analyze the current |

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| | | | | situation of the projects that are funded under the activities of the MSE Support Project, with a view to provide an indication as to expected outcome.<br>All the 17 projects showed overall positive value at a 10% discount rate and achieve FIRR of 30% - 44% for the micro-enterprises' projects and 15% - 20% for small enterprises' projects. |
| | Other Criteria (Specify) | - | - | |
| | **OVERALL PROJECT EFFICIENCY** | **4** | **3** | **Good** |
| Risk to Development Outcome | Key Risks (Specify common risk factors to be a basis for rating) | - | 1 | The PCR gave 8 risks threatening the sustainability of the project, the 5 key ones include:<br>i) Very weak funding proposals from a number of NGOs to be considered for participation in the project.<br>ii) Implementation delays, by SEDO in providing new partners with intensive training on the cooperation modalities, highlighting best Practices and Lessons Learnt from earlier experiences.<br>iii) Lack of beneficiary database and baseline; the need for SFD to set-up a solid beneficiary database, as well as the need to continuously monitor the performance of the MSEs assisted to ensure the sustainability of jobs created. The rationale behind the direct lending concept is viable, however as currently piloted, there are<br>iv) Five (5) major concerns needed to be addressed for the viability of direct lending concept of the project of : a) credit assessment capacity of officers within regional offices; b) monitoring and follow-up of enterprises assisted; c) direct lending should not be positioned as competition to bank lending, but rather as a channel for special cases; d) there should be a strong graduating policy to ensure that those who benefit from direct lending once, should be 'bankable' and graduate to receive loans from regulated sources such as banks; e) there should be an exit strategy for this operation, as relevant; and<br>v) The serious implementation delays of the TA grant, for institutional capacity building for SFD, which has affected progress of the project; coupled by lack of ownership of the grant agreement by a particular department/unit which may have also affected progress in grant implementation.<br>Additionally, the PCR in its annexes noted with concern that SFD is not regulated by the Central Bank and may not have the necessary structure and procedures in place that banks have to mitigate any lending risks.<br>**The risks are substantial.** |

*The output ratings have to be weighted by the relative output costs (see PCR format).
The Overall rating is given Very Good, Good, Fair and Poor. Overall rating is the sub-criteria average.

(i) **Very Good** (HS) : 4
(ii) **Good** ( H) : 3
(iii) **Fair** (US) : 2
(iv) **Poor** (HUS): 1
(v) **UTS**
(vi) TA

| Criteria | Sub-Criteria | PCR Work Score | OPEV Review | Reason for disagreement/ Comments |
|---|---|---|---|---|
| **Bank Performance** | **Design and Readiness** | | | |

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| | 1. Project Objectives were relevant to country development priorities. | 4 | 4 | The project was relevant to and consistent with Egypt's development priorities. The project is set within the parameters of the country's Long-Term Development Vision 2022 and aligned with the GoE's 6th National Development Plan targets for poverty reduction, job creation and economic growth. |
| | 2. Project Objectives could in principle be achieved with the project inputs and in the expected time frame. | 3 | 4 | Project objectives could be achieved within the time-frame with the inputs provided. The evidence on the ground showed that there may even have been over estimation of the time-frame at least achieving of Micro and Small Enterprises accessing financial services.<br>The project is scheduled to end in December 2011; 20 months into a 60 months of implementation; the Bank had disbursed the full loan amount (US$87.15 million); SDF, the implementing agency had committed 88% of the loan and 80% of which was transferred for on-lending to micro (US$7.446) and small ($62,014,425) enterprises.<br>The TA component of the project however has been slow, due to capacity weaknesses in procurement processes.<br>One other indicator "increase in market penetration rate of MSE lending" was hard to obtain and attribute to the project.<br>**The rating is increased because at the current implementation rate, all objectives could in principle be achieved within the planned 60 month implementation time-frame.** |
| | 3. Project Objectives were consistent with the Bank's country or regional strategy | 4 | 4 | This project is in line with the Bank's assistance strategy for Egypt, as contained in the Country Strategy Paper (CSP) updated in 2006, which recommends financing activities geared towards pro-poor economic growth, job creation and sustainable poverty reduction. |
| | 4. Project Objectives were consistent with the Bank's corporate priorities | 4 | 4 | The project is also consistent with the Bank's corporate priorities of poverty reduction, economic growth, private sector development and gender equality as well as in conformity with the Bank's policy and strategy on microfinance. |
| | 5. The log frame presents a logical causal chain for achieving the project development objectives. | 4 | 4 | The Appraisal Report produced a log-frame that clearly set out project outputs and outcomes in a logical manner to achieve the project's development objectives. |
| | 6. The log frame expresses objectives and outcomes in a way that is measurable and quantifiable. | 3 | 3 | The log-frame did state project outcomes and gave indicators to aid monitoring the achievement of project objectives. There however was lack of baseline information and reported weak national statistics that could affect the M&E. Even though there |
| | 7. The log frame states the risks and key assumptions. | 4 | 2 | The log-frame stated two key risks linked to project outcomes. The log-frame however did not state or address any risk linked to project outputs. |
| | 8. Project complexity was matched with country capacity and political commitment. | 4 | 4 | The political commitment of the government to the project is evidenced in its eagerness to address poverty reduction within its population by supporting and enhancing MSE development in Egypt to create more jobs; reduce the unemployment rate that will contribute to reducing poverty in the country.<br>The project complexity matched the country's capacity as even though it is scheduled to end in December 2011; most of the outputs were achieved within the first 2 months of the 60 month implementation period. |

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| | 9. Project design includes adequate risk analysis. | 4 | 3 | The project design within the Appraisal report addressed three key risks on:<br>a) Credit Risk: the inconsistencies in the credit risk management by the SFD;<br>b) Exchange Rate Risk; The reliance of SFD on donor loans that are mostly foreign currency dominated; and the exposure to exchange rate fluctuations; and<br>c) Portfolio Quality: the varying quality of intermediaries that will be on-loaning to beneficiaries; their ability to manage their respective portfolios.<br>The appraisal document focused the risks on component I 'Line of credit' to provide credit facilities through SFD to intermediaries for lending to MSEs; and no risks on component II 'Technical Assistance' component of the project. The project during execution saw major delays in implementation rate; mainly in the procurement of consultants under the grant component, either in weakness in the TOR-related development that required revisions or weak responses to bids or consultants apologizing after being contracted.<br>Had the Appraisal report identified these risks, mitigating measures would have been put in place to address the risks. |
| | 10. Project procurement, financial management, monitoring and/or other systems were based on those already in use by government and/or other partners. | 3 | 2 | All procurement of goods, works and services financed by the Bank were to be in accordance with the Bank's *Rules of Procedure for Procurement of Goods and Works* or, as appropriate, *Rules of Procedure for the Use of Consultants.*<br>The disbursements of funds by ADF and TAF were also to be effected in accordance with the rules and procedures of the Bank.<br>Other activities such as credit for MSEs, the project used the SFD credit policy which was reportedly reviewed and deemed adequate by the Bank; additionally, the project also used its own monitoring and financial management system. In terms of reporting, the project developed a reporting format which was later replicated for other donor-supported projects. |
| | 11. Responsibilities for project implementation were clearly defined. | 4 | 3 | The design did set out the implementation arrangements for the various agencies involved in the execution of the project; ranging from Government officials, Governorate officials; the SFD, SEDO; finance institutions; and the MMSEs.<br>The Appraisal document covered the Executing Agency; the Institutional arrangements within which details of the Project Management, delivery approach and the loan processing cycle were given.<br>The implementation arrangements of the grant component however was not that clearly defined. |
| | 12. Necessary implementation documents (e.g. specifications, design, procurement documents) were ready at appraisal. | 3 | 2 | The project at design did not have the necessary procurement documents which were to be developed with technical assistance; this however has delayed the delivery of activities with the predictable negative impact on implementation of the grant component.<br>There was no information on the availability of other implementation documents at appraisal. |
| | 13. Monitoring indicators and monitoring plan were agreed upon during design. | 3 | 3 | The project design, gave monitoring indicators that included: i) Number of jobs created; ii) Number of MSEs supported; iii) SFD Financial Performance; iv) Banking |

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| | | | | system's MSE penetration rate; and v) Survival rate of MSEs for component one; and for component II: i) Number of jobs created; ii) Disbursement Rate; iii) SFD Loan Portfolio Quality; iv) Number of sub-loans to MSEs; v) Number of policy changes observed; and vi) MSEs survival rate and business performance |
| | 14. Baseline data were available or were collected during design. | 2 | 1 | Baseline data was not available during project design; these were due to be collected under technical assistance. This has not taken place as there was a delay in the procurement process and the consultant selected declined the assignment further delaying it. The project tried an alternative, which was it developed which was circulated to end-beneficiaries. The questionnaires after review were found to have been inadequately answered resulted in the failure of the initiative too. The project therefore failed to design and collect baseline date. |
| | **Project Design and Readiness Sub-Score** | **3.5** | **3.0** | **Good** |

| **Criteria** | **Sub-Criteria** | **PCR Score** | **OPEV Review** | **Justification/ Reason for deviation/Disconnect/ Comments** |
|---|---|---|---|---|
| **Bank Performance** | **Supervision** | | | |
| | 1. Bank complied with: | | | |
| | • Environmental Safeguards | 4 | 3 | The project was category III classified, with minimal or no adverse environmental impacts.<br>All small enterprises with loans above LE 25,000 undergo environmental screening; a process that was overseen by the SFD Environment Unit in close collaboration with SFD Regional Office environmental focal point, the governorate-level Environment Management Unit (EMU), for which a representative is hosted in the SFD One-Stop-Shop and the Egyptian Environmental Agency Regional Branch Office.<br>The PCR did not give any specific comments on the Bank's compliance during the supervision missions. |
| | • Fiduciary Requirements | 4 | 3 | The PCR reported that disbursement requests were expedited, and flow of funds was adequate. The project's line of credit was disbursed within 20 months of the 60 months implementation period; as the appraisal report was not explicit on the timing of the disbursements, it is difficult to assess adherence, however the early disbursement brings into question the requirements set and their adherence. |
| | • Project Covenants | 4 | 3 | There were no reported issues on the Bank's supervision and management of Project Covenants. |
| | 2. Bank provided quality supervision in the form of skills mix provided and practicality of solutions. | 4 | 3 | In addition to the launching mission, the Bank conducted 3 supervision/review missions in 2 years of implementation, apparently with satisfactory ratings.<br>The skill mix of the supervision teams was not given for assessment of their adequacy. |
| | 3. Bank provided quality management oversight. | 4 | 3 | One of the two components of the project was implemented far ahead of schedule. Long delays are however being experienced on the grant component. Even though the EGFO staff were reported to be working with SFD providing them closer supervision on the ground; the PCR team noted a number outstanding issues which were not articulated in supervision reports were noted.<br>The Bank should bear some responsibility for challenges and delay in implementing the TA component of the project. |

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| | 4. PCR was delivered on a timely basis | 4 | UTS | The PCR was undertaken two years into a five-year implementation period, using the 98% loan disbursement rate guideline. However only 28% of the grant component was disbursed with major delays in implementation of the TA component of the project; it therefore begs the question why the PCR was undertaken 2 years into project implementation when it is pre mature to assess project outcomes? |
| | **Supervision Sub-Score** | 4 | 3 | |
| | **OVERALL BANK PERFORMANCE SCORE** | **4** | **3** | **Good** |
| The Overall rating is given Very Good, Good, Fair and Poor. Overall rating is the sub-criteria average.<br>(i) **Very Good** (HS) : 4<br>(ii) **Good** ( H) : 3<br>(iii) **Fair** (US) : 2<br>(iv) **Poor** (HUS): 1 | | | | |

| Criteria | Sub-Criteria | PCR Score | PCR-EVN Validation | Justification/ Reason for deviation/Disconnect/ Comments |
|---|---|---|---|---|
| **Borrower Performance** | **Design and Readiness** | | | |
| | 1. Responsibilities for project implementation are clearly defined | 4 | 3 | The design did set out the implementation arrangements for the various agencies involved in the execution of the project; ranging from Government officials, Governorate officials; the SFD, SEDO; finance institutions; and the MMSEs.<br>The Appraisal document covered the Executing Agency; the Institutional arrangements within which details of the Project Management, delivery approach and the loan processing cycle were given.<br>The implementation arrangements of the grant component however was not that clearly defined. |
| | 2. Necessary implementation documents (e.g. specifications, design, procurement documents) are ready at appraisal. | 2 | 2 | The project at design did not have the necessary procurement documents which were to be developed with technical assistance; this however was delayed with the predictable negative impact on implementation of the grant component.<br>There was no information on the availability of other implementation documents at appraisal. |
| | 3. Monitoring indicators and monitoring plan are agreed upon and baseline data are available or are being collected | 2 | 3 | The project design, gave monitoring indicators that included: i) Number of jobs created; ii) Number of MSEs supported; iii) SFD Financial Performance; iv) Banking system's MSE penetration rate; and v) Survival rate of MSEs for component one; and for component II: i) Number of jobs created; ii) Disbursement Rate; iii) SFD Loan Portfolio Quality; iv) Number of sub-loans to MSEs; v) Number of policy changes observed; and vi) MSEs survival rate and business performance. |
| | **Project Design and Readiness Sub-Score** | **2.6** | **2.3** | **Fair** |
| | **Implementation** | | | |
| | 1. Borrower complied with: | | | |
| | • Environmental Safeguards | 4 | 3 | The project was category III classified, with minimal or no adverse environmental impacts. The SFD however has an Environmental and Social Management Plan which is mainstreams in all its activities. |

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| | | | | All small enterprises with loans above LE 25,000 undergo environmental screening. This is done the SFD Environment Unit in close collaboration with SFD Regional Office environmental focal point, the governorate-level Environment Management Unit (EMU) in the SFD One-Stop-Shop and the Egyptian Environmental Agency Regional Branch Office. |
| | • Fiduciary Requirements | 4 | 3 | The project is reported to submit audit reports on a regular basis, with no delays. The Bank Audit Review Mission to Egypt in January 2009 included the SFD. Some recommendations were made to improve to the SFD systems and staff capacity, and a management plans was agreed upon, which is being followed up on regularly. Many items in the plan have been implemented or are in the process.<br>The PCR in its annexes however the there is an unjustified balance of the loan USD 20,866,604.10 which needs to be justified by the Borrower. |
| | • Project Covenants | 4 | 4 | According to the PCR, The Borrower complied with all the conditions; there is no other evidence to the contrary. |
| | 2. Borrower was responsive to Bank supervision findings and recommendations. | 4 | 3 | Evidence from supervision reports and mission aide memoires show that the project implemented mission and audit report recommendations. |
| | 3. Borrower collected and used of monitoring information for decision-making. | 3 | 2 | The project was to collect baseline and other monitoring data under technical assistance; which has not taken place due to a delay in and an unsuccessful procurement process. The Borrower instead used the poverty map in selecting project targeted areas, particularly to meet the target of 60% on-lending through NGOs to be in Upper Egypt. The lack of baseline database for the project was a challenge and adversely affecting this monitoring of data. |
| | **Implementation Sub-Score** | **3.8** | **3** | **Good** |
| | **OVERALL BORROWER PERFORMANCE SCORE** | **3.2** | **2.7** | **Good** |

The Overall rating is given Very Good, Good, Fair and Poor. Overall rating is the sub-criteria average.

(i) **Very Good** (HS) : 4
(ii) **Good** ( H) : 3
(iii) **Fair** (US) : 2
(iv) **Poor** (HUS) : 1

## M &E Design, Implementation & Utilization

| Criteria | Sub-Criteria | | PCR Score | PCR-EVN Validation | Justification/ Reason for deviation/Disconnect/ Comments |
|---|---|---|---|---|---|
| **M & E Design** | **M & E Design** | | | | |
| | | 3 | 3 | The Appraisal report gave a provisional monitoring plan, with responsibilities of key stakeholders (Project co-ordinator, SFD, and SEDO) defined with some monitoring indicators that given. The project however under the TA component was to recruit an international consultant for 6 person months to develop a comprehensive Monitoring & Evaluation Plan for SFD. | |
| | **Design Score** | 3 | 3 | Good | |
| **M & E Implementation** | **M & E Implementation** | | | | |
| | | - | 2 | Monitoring and follow-up is reported to be conducted on behalf of the SFD by the Credit Insurance Society (CIS) whose performance by the way was reported by the PCR to be weak. There is currently no monitoring of fund utilization at the NGO level, which according to the PCR need to be conducted in a systematic way, following standard processes and implementation | |

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| | | | | appears to be done on an ad-hoc basis.<br>There also remains to be substantial gaps in the credit and monitoring skills of the staff, which need continuous upgrading and deepening. |
| | **Implementation Score** | **-** | **2** | |
| **M & E Use** | | 3 | 2 | There is no precise reporting on M&E use, apart from the statement that the Borrower used the poverty map in selecting project targeted areas, particularly to meet the target of 60% on-lending through NGOs to be in Upper Egypt.<br>The lack of baseline database for the project continues to pose a challenge in monitoring activities according to the PCR. |
| | **Use Score** | 3 | 2 | Fair |
| | **OVERALL M & E PERFORMANCE SCORE** | **3** | **2.3** | **Fair** |

The Overall rating is given Very Good, Good, Fair and Poor. Overall rating is the sub-criteria average.

(v) **Very Good** (HS): 4
(vi) **Good** ( H): 3
(vii) **Fair** (US): 2
(viii) **Poor** (HUS): 1

## PCR Quality Assessment

| Criteria | PCR-EVN (1-4) | Comments |
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| **QUALITY OF PCR** | | |
| 1. Extent of quality and completeness of the PCR evidence and analysis to substantiate the ratings of the various sections: | 3 | The PCR was well written; all sections were completed. Evidence was provided in most cases to substantiate the ratings of the various sections. |
| 2. Extent of objectivity PCR assessment scores | 3 | The PCR objectively analysed all sections. Most of the outputs and outcomes were well assessed and adequately rated; The PCR however on reported on outcomes of component I, omitting component II outcomes, that had to be reconstructed; but one outcome was given as an output. |
| 3. Extent of internal consistency of PCR assessment ratings; inaccuracies; inconsistencies (in various sections; between texts and ratings; consistency of overall rating with individual component ratings) | 3 | The PCR rating of the component texts are mostly consistent with the ratings in most of the components. |
| 4. Extent of identification and assessment of key factors (internal and exogenous) and unintended effects (positive and negatives) affecting design and implementation: | 3 | The project is still a long way from completion – 2 years into a 5 year implementation period. The PCR however gave a reason for the time overrun in the implementation of the TA component of the project which was reported to be mainly due to late start of many of the planned activities due to procurement challenges. |
| 5. Adequacy of treatment of safeguards, fiduciary issues, and alignment and harmonization | 2 | The PCR's assessment of safeguards and fiduciary issues was inadequate; it failed to give any detailed analysis, especially in relation to the Bank; its assessment of harmonisation is satisfactory. |
| 6. Extent of soundness of data generating and analysis processes (including rates of returns) in support of PCR assessment: | 3 | The PCR generated enough data, which was well analysed.<br>It calculated rates of return for 17 sub-projects all of which showed positive returns. |
| 7. Overall adequacy of the accessible evidence (from PCR including annexure and other data provided) | 4 | The PCR provided adequate and accessible evidence.<br>A list of supporting documents was also included in the annexes.<br>Additional information was given outside the PCR with details of project results. It gave detailed narrative of project implementation; it gave analysis on gender impact; environmental screening, status of various project activities, in particular the TA component which was not covered in the main report.<br>The PCR also gave details of key issues outstanding. |
| 8. Extent to which lessons learned (and recommendations) are clear and based on the PCR assessment (evidence & analysis): | 4 | The PCR gave twenty (23) lessons learnt, under 3 categories of i) Policy level; ii) Implementation level; and iii) for the Bank. A number of the lessons are actually recommendations made.<br>I) On Policy level, 10 lessons including: i) the need to standardise |

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| | | definitions of MSMEs amongst the various stakeholders; ii) the need to improve Business Development Services to become self sustaining; iii) the need to re-instate the Gender Unit to ensure sufficient attention to gender issues; the SDF lending mechanism should be fine-tuned, paying attention to rationale, application, durability and eligibility; and all sub-projects should be environmentally screened.<br>II) On Implementation level, the 8 lessons given include: i) More flexibility given to SFD on issues as internal allocation of funds to SEDO and MFS; ii) The pace of contracting by MFCS needs to be reviewed to minimise bottlenecks; iii) the need develop intensive induction courses for new partner financial intermediaries to clarify the relationship between the two entities, the rules and regulations, observed and the reporting requirements; among other<br>III) All the 5lessons for the Bank could are recommendations covering: i) Launching missions should include a strengthened procurement component, with details of the procurement requirements identified and agreed upon; ii) The Bank, through its EGCO, should continue providing the SFD with day-to-day guidance in portfolio management; iii) PCRs guidelines should be reviewed and for similar projects, PCRs should be undertaken when over 50% of the repayments by end-beneficiaries' has started – *This however is misrepresented, as the PCR could have been done at the end of the 5 year planned implementation period*; iv) The different pace of implementation between the project and the grant impacted the assessment of the project (this is a lesson) and v) The Bank should ensure the availability of baseline information, if not at appraisal time, then at the start of implementation. |
| 9. Extent of overall clarity and completeness of the PCR | 3 | All the sections of the PCR were completed as required, the report is easy to read and easily followed. |
| Other (to be specified) | - | |
| PCR Quality Score | **3** | **Satisfactory** |
| **PCR Compliance with Guidelines (PCR/OM; OPEV)** | | |
| **1. PCR Timeliness** | 2 | The Project due to be completed on 31 December 2011 and still on-going; one of the two components – the loan component was almost completed 20 months into the 60 months planned implementation period. The PCR mission was undertaken in September 2009 when the grant (capacity building) component had barely started.<br>The premature PCR mission has made it difficult if not impossible to fairly assess project outputs and outcomes in particular. |
| **2. Extent of participation of Borrower, Co-financiers & field office in PCR preparation** | 4 | The PCR was reported to have been a joint-process between the Bank and the SFD. Two consultants; a financial analyst and a development expert, in addition to 3 EGFO staff (socio-economist - task leader-, disbursement assistant and the procurement assistant) plus 3 SFD staff (monitoring and evaluation senior manager, SEDO officer and Microfinance officer) undertook the mission.<br>The mission visited two governorates, of Minya and Fayoum according to the PCR because of: (i) good disbursement flows with large numbers of borrowers for SEDO and Microfinance Sector; (ii) amongst the poorest governorates; and (iii) includes a substantial direct lending component. The report was peer reviewed by 5 Bank staff from two field offices KEFO and EGFO as well as two departments, OSUS and OSHD. |
| **3. Other aspect (Specify)** | - | |
| **PCR Compliance Score** | **3** | **Good** |