

Approach Paper

Evaluation of IFC’s Approach to Engaging Clients for Increased Development Impact

December 29, 2016

I. Background and Context

1. **Introduction to the Evaluation:** The International Finance Corporation’s (IFC) mandate is to promote economic development by supporting the growth of productive private enterprise in its developing member countries -- particularly in less developed and higher risk areas -- in partnership with private sector clients. IFC’s business model is to work with private sector clients as a means to achieve its mandate of economic development. In pursuing this mandate, its strategy has evolved and, from the early 2000s, IFC has aimed to transform itself from a transactions-focused to a client-centered institution. The rationale for this shift to a client focus was to improve IFC’s development outcomes. More than a decade after the emergence of IFC’s more strategic approach to client engagement, this evaluation will assess the extent to which IFC’s approach to strategic client engagement have been implemented, enhanced these clients’ project outcomes and helped IFC improve its own development impact.

Context and Issues

2. **Global Context and IFC’s Position:** The global community has set itself ambitious objectives for ending poverty, promoting shared prosperity, and fostering social progress by 2030 with the adoption of the Sustainable Development Goals (SDGs). Yet many difficult development challenges remain and achieving the SDGs requires mobilizing considerable additional resources and knowledge from both public and private sources. The development community has emphasized the critical need to leverage public and private sector solutions and funding as a pillar to achieve development goals – for instance for generating employment opportunities or addressing the gap in access to basic infrastructure services.

3. The World Bank Group’s 2013 strategy highlights the need for the World Bank Group (WBG) to become a Solutions Bank to bring together public and private sector expertise to help address development challenges. IFC is the Bank Group’s main institution dedicated to promoting the private sector’s role in support of international development. In line with this mandate, IFC’s strategy has consistently focused on frontier markets, including IDA countries and fragile and conflict affected countries. Additionally, IFC strategies over the past 10 years have emphasized long term partnerships with local and international companies, ensuring sustainability and mitigating climate change, and addressing constraints to private sector investment in infrastructure. In response to the evolving scale and increasing complexity of development issues and the proliferation of new sources of private sector financing the IFC has been gradually refining its approach to engaging clients from a strategic perspective as a means to more effectively pursue its corporate objectives and enhance its development impact.

4. **IFC's Strategic Approach to Client Engagement:** As stated in IFC's *Articles of Agreement* (1956), "the purpose of the Corporation is to further economic development by encouraging the growth of productive private enterprise in member countries, particularly in less developed areas". Article 1 outlines three modalities for carrying out this purpose: (i) by assisting private investors in the establishment, improvement and expansion of productive enterprises; (ii) by bringing together investment opportunities with private capital and experienced management; and (iii) by helping create conditions conducive to private productive investment in member countries. For the past 60 years, IFC's strategy for pursuing this mandate has gradually evolved, most significantly, from the early 2000s, through the gradual implementation of a strategic approach to client engagement.

5. The early signs of IFC's approach to client engagement date back to 2004, when IFC identified the building of long-term partnerships with emerging global players in developing countries as a strategic priority. The concept of engaging with clients more selectively and further upstream, more deeply and broadly, to achieve greater impact and to meet its strategic priorities was more fully articulated in 2007, when IFC defined a Client Strategic Engagement Model, including a specific implementation action plan and progress indicators. The approach was further built upon in the *IFC Roadmap FY15-17* (2014), which established the Enhanced Client Engagement Model. Most recently, the *IFC Strategy and Business Outlook FY17-19* (2016) highlighted IFC's continuing need to deliver on its mandate by working with new and existing clients to support the development of new markets, and to broaden and deepen existing markets. The underlying rationale is that long-term engagements with strategically selected new and existing clients can be powerful vehicles for catalyzing private investments in new markets and increasing IFC's developmental impact and business efficiency.

6. **Supporting strategic client engagement:** The approach to client engagement articulated by IFC in 2007 is characterized by the coordinated implementation of the following processes: formulation of industry and country strategies with identification of strategic clients; recruitment of strategic clients; designation of client relationship managers and teams; accelerated decentralization; streamlined procedures and delegation of decision-making, and investments in technology and knowledge management. These processes have been implemented over time. Thus, decentralization of IFC's operations started in the early 2000s and progressed quite rapidly, and more than half of IFC's staff are now located in field offices.

7. On the other hand, other aspects of strategic client engagement appear to have been implemented more gradually. More recently, IFC took a further step to implement a strategic client relationship management function in FY14-15, when it appointed senior Client Leaders across departments with the specific role of building long-term relationships with strategic clients, connecting them to the work of the entire WBG, staying on the client's agenda, and leveraging IFC global footprint and expertise to deliver business solutions for development impact and profitability.

8. **Conceptual Framework:** The concept of client engagement originally emerged in business literature in the late 1990s based on the recognition that better business opportunities could be created by moving from a focus on one-off transactions to investing in building deeper and broader relationships with

clients.¹²³ In the face of strong competition based on price and quality, companies began to see the level of client engagement as an important product differentiator. Instead of traditional transactions involving a specific project, private companies aimed at the creation of a more meaningful and enduring connection by developing new ways to become familiar with client needs and expectations, and proactively combining all available resources to ensure that they can be more effectively fulfilled. While there appears to be no generally agreed definition, because different businesses and sectors have interpreted the concept in their own way, key elements of the emerging client engagement approach have included greater attention to (i) the full spectrum of client interactions, to build mutual awareness, trust and understanding; (ii) the entire range of client needs and objectives; and (iii) continuity and coordination of interactions with the client. The expected result is a close and long-term relationship with a more fully committed client.

9. From IFC's perspective, "client strategic engagement" was defined as encompassing the identification and selection of clients according to their strategic importance based on their potential business volume in future, demonstration effect for private sector development and development impact. These "strategic" clients were to be managed by dedicated relationship management teams who were expected to develop a strong and deep partnership and understanding of client needs, expedite responsiveness and facilitate full access to IFC's global resources.

10. For the purposes of this evaluation:

- *Clients* can be defined as mainly private companies that use and pay for IFC's products and services and through whom IFC can pursue its strategic objectives. Clients can be actual and potential, one-off and repeat. In light of the strategic intent of IFC's approach to client engagement, these clients have been combined into client groups that include all companies, which are either majority owned or controlled by same parent company. This evaluation excludes government and public sector clients served mainly through IFC advisory services.
- *Strategic clients*, as already noted, are defined as clients identified according to their strategic importance based on factors such as their potential business volume in future, potential demonstration effect for private sector development and development impact, and alignment with IFC's strategic priorities (countries, sectors), policies, and country development needs.
- *Client engagement* can be defined as the processes, rules, and practices that IFC employs to identify needs and opportunities with existing or new clients to meet their common objectives in a spirit of partnership; to market, sell, and deliver solutions/services to them; and to monitor client satisfaction with the services/solutions delivered.
- *Strategic client engagement*, in turn, refers to IFC's approach to strategic clients through dedicated relationship management teams to develop a strong and deep partnership and understanding of client needs for the purpose of assisting with the upstream identification, design, and implementation of investments aligned with IFC strategic priorities. Strategic client engagements can be implemented through, *inter alia*, long-term partnerships with pre-identified clients, programmatic approaches characterized by a sectoral, multi-country focus, and country-specific plans to address defined development challenges.

¹ *Beyond Loyalty: Meeting the challenge of customer engagement*. Economist Intelligence Unit, March 2007; Biggs, David: *Management Consulting: A Guide for Students*. 2010.

² Bowden, J. L. H. 2009: The Process of Customer Engagement: A Conceptual Framework. *The Journal of Marketing Theory and Practice*, 17(1), 63-74.

³ Brodie, Roderick J., Linda D. Hollebeek, Biljana Jurić, and Ana Ilić, 2011, "Customer Engagement: Conceptual Domain, Fundamental Propositions, and Implications for Research." *Journal of Service Research*, August 2011, vol. 14 No. 3 252-271.

- *IFC's strategic priorities:* Although IFC's strategic priorities have gradually evolved over the last decade they consistently included a list of priority countries and markets (frontier markets including countries eligible for support by the International Development Association [IDA] and fragile and conflict-affected states [FCS]) and sectors (infrastructure, local financial markets, health, and education) aligned with the goal of maximizing development impact. These corporate priorities are intended to be derived from top-down as well as bottom-up strategy processes (reflecting different private sector priorities in different markets and sectors).

11. **Theory of Change:** Given the above, the theory of change for this evaluation is that by strategically identifying and proactively deepening and broadening its engagement with selected clients, IFC will maximize its development impact in terms of its achievement of strategic objectives and contribution to the development outcomes of the clients' projects. The client strategic engagement model articulated by IFC since 2004 provides a useful ordering of the causal relationships underlying IFC's approach:

- In the client engagement model, client relationships would be a means to develop transactions that accomplish strategic objectives. Engagement with potential and existing clients would be driven first by country and sector strategies – starting from the identification of firms based on their alignment with these strategies, potential business volume, private sector demonstration effect, and development impact. IFC would target these companies as long term partners by supporting them with dedicated client relationship teams to provide them with specialized local knowledge and contacts, assist with regulatory issues and mitigation of political risk, provide guidance with environmental and social standards, enhance credibility with other investors and host governments, and access to IFC/WBG global knowledge and resources. At the same time, an assessment IFC's effectiveness to use strategic client engagements needs to consider IFC's authorizing environment, such as its development mandate and policies.
- Within IFC, the strategic client engagement approach was also expected to induce immediate behavioral changes and intangible benefits such as improved cross-departmental teamwork and collaboration, deeper understanding of client needs and objectives, improved access to key client decision-makers (including for gaining market insights, problem resolution and negotiating from a long term perspective), greater involvement with the upstream identification, design and implementation of client investments, and facilitation of faster response time and product delivery.
- From the client's perspective, the new model was expected to improve the selected strategic clients' access to IFC inputs and services, as reflected in incremental access to senior investment staff, industry and E&S specialists, improved access to new markets, better designed and structured projects, faster delivery of IFC products and, eventually, improved results (client satisfaction, achievement of business, development and sustainability objectives, improved focus on poverty/base of the pyramid).
- For IFC, the strategic selection and engagement of clients was expected to lead to improved business efficiency (in terms of cost per volume and transaction), enhanced IFC additionality, increased and better quality IFC business in strategic priority areas (IDA, FCS, and priority sectors), and improved monitoring and understanding of its development impacts.
- From the host countries' perspective, IFC's strategic approach to client engagement was expected to deliver enhanced development impacts, as reflected in improved conditions for private investments in target sectors, enhanced private investment flows in target sectors, enhanced industry standards, and more jobs and business opportunities.

12. Conceptually, a presumption of linkage between the inputs and the impacts derives from the fact that the Client Strategic Engagement Model introduced in 2007 was specifically designed to boost IFC's development impact while growing its business in its priority areas. In addition to introducing a new client strategic engagement model, IFC's 'Vision 2010' initiative underpinned a complementary set of organizational reforms to (i) create a client management function, (ii) accelerate decentralization, (iii)

streamline procedures and delegate decision making, (iv) enhance risk management, and (v) put the right people in the right place.

13. On this basis, *Figure 1* (page 7) outlines the theory of change that can be derived from a review of IFC's strategy documents describing the introduction and evolution of its strategic approach to client engagement. It also highlights the major external factors (country risk, market risk, capital availability/funding gaps, etc.) and client factors (sponsor risk, management quality, corporate governance, etc.) that can affect the results of the strategic client engagements.

14. Finally, while IFC engages clients in a wide spectrum of strategic and episodic ways, this evaluation will, for the sake of increasing the likelihood of deriving useful lessons, focus on three main strategic client engagement modalities that IFC has employed. All three are consistent with the theory of change below. In many cases, clients with high-intensity relationships with IFC are engaging through multiple modalities. These three different yet complementary modalities can be characterized as follows:

1. **Client-focused partnerships** (where IFC uses strategic clients to develop or enter new markets characterized by repeat operations with the same client group in different countries—including regional and global projects) to help new and existing clients enter new markets and enhance their contribution to IFC's strategic priorities. Since this modality involves by far the largest number of IFC's strategic clients, it is also expected to be the main source of findings for this evaluation.
2. **Programmatic interventions focused on creating markets** (where IFC engages with existing or new clients through programmatic approaches characterized by a sectoral, multi-country focus) to catalyze new markets by creating enabling conditions for attracting new and existing clients (such as *InfraVentures; Africa Micro, Small and Medium Enterprise [MSME] Program*). In this modality, IFC's role in identifying investment propositions, developing investable projects, mitigating risks and brokering relationship with key project stakeholders including co-financiers, government, donors, and other parties are critical.
3. **Country-focused engagements** to help create conditions for attracting new and existing clients to address high priority development needs of the country (e.g., using strategic client relationships to address country development needs in support of Joint Implementation Plans [JIPs] or its precursors – joint WB/IFC Country Assistance Strategies). This modality calls for more intentional strategic selection of IFC investment client to enhance chances to realize intended projects, which meet the development needs of the country.

Overview of the Portfolio

15. **Client focused partnerships:** Given the gradual implementation of the strategic client engagement model and segmentation in strategic and regular clients over the period of review, IEG will use two complementary data sets to identify strategic clients as the universe of analysis. IEG will apply appropriate filters to identify operationally relevant characteristics, performance patterns and drivers.

(1) **Client groups involving a higher intensity of IFC engagements:**⁴ The study will consider as strategic such clients with whom IFC has had more intensive relationships in contexts relevant for achieving IFC's strategic priorities (e.g., IDA and FCS), through various IFC products and services, including investment, knowledge, and mobilization. Client groups involved in repeat investments in multiple or the

⁴ Client groups include *all companies, which are either: (1) Majority owned by same parent company, or (2) Controlled by same parent company. Majority ownership is equal to 50% + 1 shares of total voting shares in entity.*

same countries – identified as the strategic “client-focused partnerships” for the purposes of this evaluation – accounted for significant shares of IFC investments and commitments over this period. The evaluation will focus its attention on client groups with high intensity relationship with IFC such as repeat investments in different countries as the unit of analysis to maximize the potential for lesson learning for IFC in increasing its operations and impact in new and/or more difficult markets. It will use the group of repeat clients in the same country as a comparison group. Starting from this data set, the evaluation will attempt to develop a client intensity measure for analytical purposes. Given that clients are identified from those who have succeeded in implementing repeat engagements *ex post*, the evaluation will carefully nuance any findings due to the positive bias inherent in this selection.

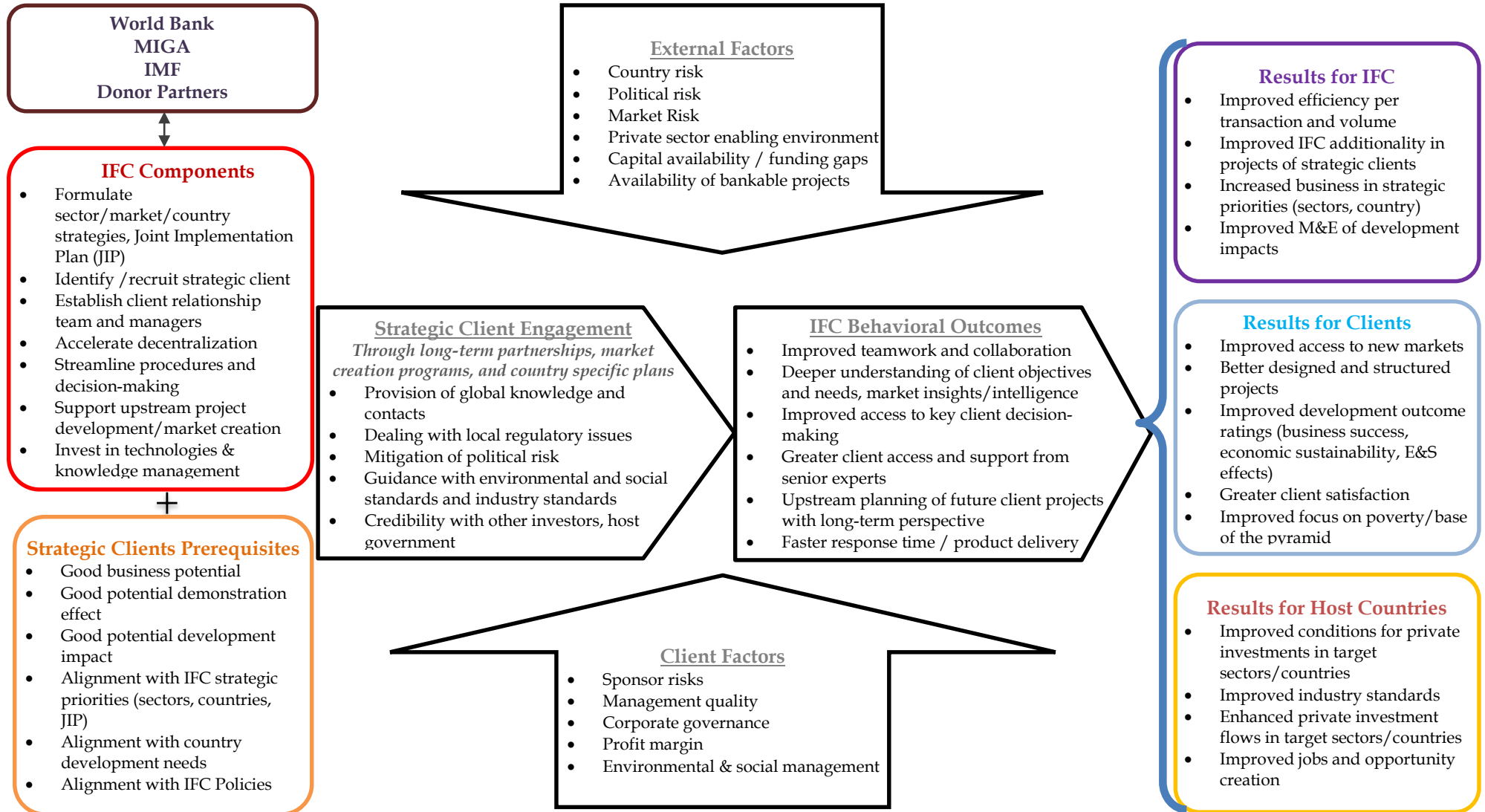
(2) **Long term client partnerships:** This analysis will be complemented with information available from IFC’s additionality database, which indicates a potential long-term partnership as one dimension of IFC’s *a priori* additionality. The evaluation will consider these two complementary data sets as the universe of the evaluation.

16. **Programmatic interventions focused on creating markets:** IFC has supported a large number and wide diversity of programmatic approaches intended to develop markets upstream during the period under review. IFC has supported efforts to engage in upstream, market-creating interventions to develop new or leverage existing client relationships throughout its history, such as Project Development Facilities used in the 1990s. For this modality, which uses client relationships to catalyze new markets, the evaluation will include specific programs which have been authorized by the Board of Directors and for which there is some evaluative evidence (a self-evaluation, evaluation, or regular supervision reports). A preliminary review identified several programs meeting these criteria, including *InfraVentures* and the *Africa Micro, Small and Medium Enterprise (MSME) program*.

17. **Country-focused engagements:** There have been 33 Joint Implementation Plans to date.⁵ Of these, nine are under implementation and can be expected to yield useful insights from the experience to date regarding their design and early implementation. The evaluation will also consider similar previous efforts through joint Country Assistance Strategies.

⁵ As defined in the (2014) *World Bank Group Guidance: Country Partnership Framework Products* Joint Implementation Plans (JIPs) are “a management tool to inform the preparation and implementation of a Country Program Framework... [to be used in] sectors/themes where more than one institution has extensive and complementary engagements.”

Figure 1. Theory of change for IFC's strategic approach to client engagement



Previous and Ongoing Evaluations

18. This is the first evaluation focusing explicitly on the effectiveness of IFC's approach to client engagement, and results at the level of client groups have thus far not been evaluated. The evaluation will, therefore, rely primarily on new original analysis but also build on existing transaction based evaluative evidence to distill relevant findings from the perspective of the client relationship. In this context, IEG has covered aspects of IFC's performance relative to the triple bottom line and explored results drivers in many prior evaluations, including the annual Results and Performance of the World Bank Group (RAP). This evaluation will draw on and systematize these findings. It will also benefit from a coterminous analysis to assess aspects of IFC's work quality – a main driver of IFC's development outcomes as identified in a series of prior IEG evaluations.

19. **Evaluative evidence points to a strong linkage between IFC's development outcome performance and factors related to its client engagement.** Thus, the 2013 Results and Performance of the World Bank Group (IEG 2014a) report identified significant linkages between development outcomes and indicators related to client selection and client relationship management.⁶ The 2014 RAP (IEG 2015) identifies up-front work quality as the most powerful driver of IFC projects' development success. With respect to IFC's contribution to the WBG's twin goals, IEG's assessment of IFC's poverty focus found that, at the strategic level, IFC's priorities on frontier areas and sectors such as infrastructure, health and education, and financial markets are largely consistent with a poverty focus in that they reflect geographic, sectoral, and equity aspects that are correlated with enhanced opportunities for the poor.

20. At the same time, the quality and sophistication of IFC's private sector clients (sponsors) is an important external causal factor and correlate of project success (IEG 2014a). Thus, the generally weak quality and capacity of clients and lack of a pipeline of bankable projects is a main obstacle to IFC's increasing its business volume (and impact) in fragile and conflict-affected states (FCS) – one of its priority areas. In this context, integrating tailored capacity building to clients into appraisal, design, and implementation tended to yield better results (IEG 2014b).

21. Previous IEG work has pointed to external risk and internal work quality as major drivers of IFC's performance. Given IFC's business model of achieving development results through successful private businesses, IFC's project results are highly correlated with the financial results of the business. Thus, IFC's project development outcome is influenced by both external risk factors affecting the private sector as well as by IFC's work quality in appraisal and supervision. Risks include those related to management and project sponsor's capacity, as well as market, country, sector and macroeconomic conditions. IFC's own work, meanwhile, can have significant effects on projects' outcome. In particular, IFC's ability to identify viable investment opportunities, risks and mitigating measures including E&S performance, and structuring investments to meet projects' risk-return profile and client needs are common in successful projects. Good work quality can mitigate market,

⁶ IEG (2014a): *Results and Performance of the World Bank Group 2013 – An Independent Evaluation*.

country and project risks. Higher development outcomes have also been found when IFC combined lending and knowledge-based additionality, or offered value added that a client would not receive in the market place. IFC's additionality is important not only from the client's perspective but also as a driver of development results: IEG finds IFC's role and contribution to rank second to up front work quality in contributing to development outcomes.

II. Purpose, Objectives, and Audience

22. **Purpose and Objective.** The objective of this evaluation is to assess the extent to which IFC's strategic approach to client engagement has been implemented, enhanced its clients' project outcomes, and helped IFC improve its own development outcomes and impacts. The purpose is to derive appropriate lessons from experience and inform future efforts to improve IFC's approach to client engagement in given country and client contexts as a means to enhance its development impact. The report is expected to build on internal diagnostics regarding IFC's business model, which began in March 2016, and would allow IFC to fine tune its strategy related to the client engagement approach. The evaluation is undertaken as part of the second objective of IEG's results framework regarding generating independent evaluation evidence to assess the early implementation experience of the 2013 WBG Strategy.

23. **Stakeholders and Audience.** The primary audience for this evaluation is the Bank Group's Boards of Directors, and IFC's management and staff. Other stakeholders that can benefit from this study include development institutions focused on private sector development, private sector entities and trade organizations, civil society organizations, as well as academia.

III. Evaluation Questions and Coverage/Scope

Evaluation Questions

24. This evaluation will assess the extent to which IFC's approach to strategic client engagement has helped IFC improve its development outcomes and impacts.

25. In line with the above, key evaluative questions to be explored include:

1. What is the nature and extent of implementation of IFC's approaches to strategic client engagement during 2004 to 2016?
 - 1.1. How and to what extent have IFC's *client-focused partnerships* been implemented?
 - 1.2. How and to what extent have IFC's *market-focused programmatic interventions* been implemented?
 - 1.3. How and to what extent have IFC's *country-focused plans* been implemented?
2. What are the effects of IFC's approaches to strategic client engagement for its strategic clients? (e.g., access to new markets, better designed and structured projects, client satisfaction, contributing to achievement of business, development and sustainability objectives, improved focus on poverty/based of the pyramid)? Differentiate between client-focused partnerships, market-focused programmatic interventions, and country focused plans.
3. What are the effects of IFC's approaches to strategic client engagement on IFC? (e.g., cost efficiency, additionality, increased business in strategic priorities, improved M&E of

development impacts)? Differentiate between client-focused partnerships, market-focused programs, and country focused plans.

4. What are the effects of IFC's approaches to strategic client engagement on the host developing countries? (e.g., improved conditions for private investments in target sectors, enhanced private investment flows in target sectors, improved jobs and opportunities, any unintended effects)? Differentiate between client-focused partnerships, market-focused programs and country focused plans.
5. What are the main factors explaining the differences in effects (strategic client engagement design and implementation factors, client factors, external factors)?

Scope

26. The evaluation will cover the entire offering and potential value added of IFC support including financial and knowledge products committed/approved between FY04 and FY16 linked to clients represented by the three modalities of strategic client engagement described in section I of this paper. As detailed there, the evaluation will review the programmatic approaches and related initiatives that aim to build or use client relationships. At the same time, the evaluation is mindful of the constraints to IFC's. In this context, IEG will review the portfolio of IFC's global and regional projects. Investments in equity funds will be excluded from this evaluation.

27. The beginning of the period under review (2004) coincides with an increased focus on client relationships in with the formal introduction in IFC's strategy of building long term partnerships with clients in emerging markets. The team recognizes, however, that this introduction was incremental and not complete during the period. The evaluation will also review dropped or cancelled operations as relevant for the analysis of the specific client relationships.

IV. Evaluation Design

Evaluation Design

28. To assess the extent to which IFC's approach to client engagement has contributed to the achievement of its IFC's strategic priorities, and improve our understanding of the underlying mechanisms and resulting developmental impacts, the evaluation will include two main components: a comprehensive review of IFC's entire portfolio and in-depth case studies of client engagements (see also design matrix in Annex B):

1. **Portfolio review and statistical analysis:**
 - A comprehensive portfolio review covering the entire portfolio of IFC financial and knowledge support in all countries of operation. An objective will be to establish, for client-focused engagements, a measure of the intensity of client relationships (as an ex post proxy of "strategic client engagements" as well as and those identified ex-ante as potential strategic "long term partnerships". This review will establish the distribution and key characteristics and performance patterns of IFC clients covered by the three main strategic engagement modalities, in comparison with all other clients, and recent trends in their alignment with IFCs strategic priorities (IDA, FCS, sectors). The portfolio analysis will include filters for characteristics, outcomes, and possible performance drivers such as development outcomes of the evaluated portfolio for a client group; equity investments; linkages with knowledge products; risk factors, the existence of explicit client strategies or plans, engagement through

programmatic initiatives and/or JIPs; among others. The portfolio review will differentiate between strategic client groups (identified as described above) and all other, regular IFC clients.

- Statistical analysis of the evaluative data base on client engagement indicators, characteristics and project outcome performance for the different client engagement modalities to aim to establish trends of performance and any associations, if possible. This analysis will also make use of relevant existing databases (client surveys, human resources data, risk). The objective is to assess the extent to which IFC's strategic client engagement modalities have made a difference with respect to the achievement of its strategic priorities, and test and verify the linkages between inputs, outputs and outcomes suggested by the theory of change to the extent feasible using the available information in the evaluative database.
2. **Case study analysis:** The study will conduct original, qualitative analysis of case studies of client relationships to derive factors of performance and lessons. The analysis consists of a desk review of samples of the strategic client engagements with limited field validations of findings for a purposive subset, and interviews of clients, IFC staff and other key stakeholders as described below.
- Desk reviews of the available documentation of a sample of strategic client engagements: The evaluation will assess about 20-25 client engagements (reviewing the entire portfolio of investments and advisory services related to this client group, including certain intangible aspects of the client relationship, as well as coverage of all three modalities as shown above, to the extent feasible). IEG will select cases purposively from those identified in the portfolio review as "high intensity" client groups' ex-post and potential long term partnerships as indicated above that involve at least one intervention in an IDA or FCS country, and/or other corporate priorities. The rationale for this selection criteria is to generate original insights from such client engagements which IFC has successfully leveraged to expand its business into higher risk areas of corporate strategic priority. The objective is to conduct a deep qualitative analysis to deepen the understanding of how and why the strategic client engagements made a difference in the clients' development outcomes for the different types of client and country situations and derive useful inferences that could be validated through interviews and field visits. The desk reviews will also be used to document the extent to which the strategic engagements have been used to enhance IFC's monitoring and evaluation of development impacts beyond its standard DOTS framework. The case study approach will allow IEG to review client relationships within the external context, such as the country and industry environment, as well as the internal context of the evolution of IFC's strategy and approaches (as indicated in the theory of change).
 - Interviews with key IFC staff and management, clients, and other key stakeholders. In each case, the in-depth client case studies will include interviews with IFC staff and client counterparts. The objective is to build on the desk reviews to expand the understanding of the linkages between strategic client engagements and the clients' development outcomes and impacts, to help identify additional/alternative factors and inferences that should be taken into account and to gather evidence on intangible aspects of strategic client relationships. The study team will also use workshops to validate conceptual assumptions and findings.
 - Field validations. Based on the desk reviews of the three modalities, the team will select a small sample of client groups involved with market creation programmatic initiatives and

country cases (JIP) to validate the findings of the desk review and reflect the views of clients, government counterparts, and other stakeholders. Field visits will also include interviews with IFC staff located in field offices and regional hubs. The IEG team will visit about 6 to 8 different locations. The objective is to further deepen the understanding and obtain first hand evidence to validate the preliminary inferences on how different elements of IFC's client engagement model have contributed to development outcomes for different clients and country situations.

29. The expected result is a set of valuable findings and lessons from client's experience with IFC that will be helpful to inform future IFC efforts to improve its approach to client engagement and enhance its development impact in IFC's strategic priority areas including IDA-eligible and FCS countries.

30. **Assessing Performance.** As with all IEG evaluations, the team will rely mostly on original analysis but also draw on existing evaluative evidence. While recognizing the limitations of project level evaluations for assessing the performance at the level of the client group, it will use transaction level evaluations in two ways: Evaluative Notes for Expanded Project Supervision Reports (XPSRs) and Project Completion Reports (prepared for IFC investment and advisory services, respectively) as well as Project Performance Assessment Reports (PPARs) will be reviewed to distill insights into aspects of client relationship management (together with a file review of approval and supervision documents). Existing evaluative evidence will be reviewed to identify characteristics of client engagements and drivers of what worked and what didn't in the specific client case. Assessing IFC's additionality in transactions undertaken with "high intensity" clients or long term partners will be a critical component to evaluate the strategic nature and effectiveness of the client relationship. The analysis of existing evaluative evidence will be supplemented by original case studies covering client engagements (based on desk studies with field validations undertaken for a purposively selected subset), as well as examination of non-evaluated projects. The evaluation will also use IFC project databases, including those related to project risks, data on project processing times and efficiency indicators, human resources data, and other relevant management systems, as well as client satisfaction surveys. The evaluation will focus on cross-sectional comparison of inputs and results across the three main client engagement modalities, and benchmark them against the performance of the remainder of IFC's portfolio. The analysis will control for external factors that may influence causality of effects and will nuance findings that may be affected by selection bias.

31. **The evaluation will thus apply a mixed methods approach and derive lessons mainly from a case study approach.** It combines qualitative analysis of portfolio, evaluation and other existing management databases, which are expected to yield some descriptive statistics, and will be combined with in-depth case study reviews covering the three modalities of strategic client engagements identified in paragraph 14.

32. A related expected benefit of the client engagement model was improved efficiency (in terms of the cost per volume and transaction). The evaluation will analyze the extent to which implementation of the client engagement approaches have had an effect on IFC's efficiency by

analyzing corporate productivity indicators tracked by management, as well as other available business data on project processing inputs (such as processing time and staff location).

33. **Sampling Strategy.** The portfolio review and statistical analysis will cover all IFC client groups, and their associated projects/investments approved or completed during FY2004-16. Case studies for the desk review of *client-focused partnerships* will focus on the group of high intensity clients and those identified a priori as potential long term partners. Cases will be selected from those clients with at least one operation in IDA or FCS countries and with at least one completed evaluation for the client relationships. The sample of approximately 20 – 25 client groups will be selected purposefully to capture different sectors, regions and client engagement typologies. The desk review will also cover a purposive sample of up to five *market-focused programmatic interventions* selected according to their consistency with IFC’s strategic priorities and the availability of authorizing document against which IEG could evaluate achievement of objectives. Finally, IEG will examine up to six *country-focused plans* sampling those Joint Implementation Plans that are under implementation, focusing on the early stage experience with these Plans. IEG will select field validations of case studies covering all three client engagement modalities purposively to ensure coverage of key typologies of IFC’s strategic client engagement experience in different strategic priority areas in terms of countries (IDA, FCS) and sectors (infrastructure, local financial markets, health, and education).

34. **Data and information requirements.** This evaluation will primarily rely on IFC project and IEG evaluation databases. The evaluation will also draw upon quantitative and qualitative data collected from field-based client case studies and project performance assessment reports; and interviews with key IFC staff and stakeholders. IFC databases pertaining to risk ratings, human resources, and project cost will be used in the analysis. Client satisfaction surveys will provide client perceptions, which will also be collected through the client case studies.

35. **Design strengths and limitations.** The evaluation is designed to produce qualitative insights on what aspects of IFC’s strategic client engagement approaches worked and which didn’t and why, and draw lessons for IFC’s future client engagement. Given the diversity of client engagements IFC has implemented, and the likelihood that factors of success or failure are highly context-dependent (e.g., country context, sector, and client quality), key findings of the evaluation are likely to be context specific rather than generalizable across IFC’s entire portfolios. Also, since it is understood that IFC has been strengthening its tracking system for the development impacts of its projects, the evaluation will collect and take advantage of the available evidence from IFC systems such as the Development Outcome Tracking System (DOTS) and identify the remaining gaps.

V. Quality Assurance Process

36. **Quality Assurance Process.** The evaluation follows quality assurance guidelines established for IEG reports. Peer reviewers of the approach paper and the final report are Javed Hamid (consultant, former Director, IFC), William Haworth (Chief Strategy Officer, IFC) and Rashad

Kaldany (Executive Vice-President, Growth Markets, Caisse de Dépôt et Placement du Québec and former Chief Operating Officer, IFC). In addition, Mini Roy (Managing Director, Public Sector and Development Organizations, Standard Chartered Bank) will peer review the evaluation report. The team will engage with staff and management of IFC throughout the evaluation process to seek their inputs.

VI. Expected Outputs and Outreach

37. **Planned reporting vehicles.** The primary output will be a final evaluation report that will be presented to the World Bank Group Board of Directors' Committee on Development Effectiveness (CODE). The evaluation responds to a Board request for IEG to provide early feedback regarding the implementation of aspects of the World Bank Group strategy (World Bank Group 2013). The report will be published and disseminated both within the World Bank Group and outside in accordance with *IFC's Access to Information policy*.

38. **Outreach/ Dissemination Strategy.** In addition to the Board of Directors, the main audience for the findings and recommendations will be IFC management and staff both at headquarters and in the field. The team will prepare or participate in dissemination events and vehicles tailored to these audiences (such as presentations, briefs, or blogs) to ensure wide understanding and dissemination of the findings and recommendations. Secondary audiences may include stakeholders such as NGOs, development institutions focused on private sector development such as EBRD and regional development banks, private sector investors in developing countries, trade organizations, as well as academia. Various platforms for outreach and disseminations will be considered to reach targeted audiences, including through videos, conferences, blogs, and the IEG website.

VII. Timeline

39. **Timeline.** The evaluation will be undertaken in fiscal year 2017 and the final report is expected to be submitted to the Board's Committee on Development Effectiveness (CODE) in June 2017.

Annex A. References

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Annex B. Design Matrix for Client Engagement Evaluation

Evaluative Questions	Key Indicators	Methods/Sources
1. What is the nature and extent of implementation of IFC's approaches to strategic client engagement?		
1.1. How and to what extent have IFC's <u>client focused long term partnerships</u> been implemented?	Extent of implementation of client engagement plans (if available) and their components (where client engagement plans are not available). Extent of implementation of main components of IFC's client engagement strategy.	Desk review of client engagement plans, project Board documents, supervision reports, EvNotes, interviews.
1.2 How and to what extent have IFC's <u>market-focused programmatic interventions</u> been implemented?	Extent of implementation of market-focused programs, based on their stated plans and objectives.	Desk review of the programs' Board documents, progress reports, self-evaluations, IEG evaluations, interviews.
1.3 How and to what extent have IFC's <u>country-focused plans</u> been implemented?	Extent of implementation of country-focused programs, based on their stated plans and objectives.	Desk review of JIP descriptions in CASs, progress reports, associated project documents, interviews.
2. What are the effects of IFC's approaches to strategic client engagement on its strategic clients?		
2.1 What are the effects of IFC's client focused long term partnerships on these clients' development outcomes and other results?	Triple bottom line (financial, environmental, social) Project design and structure Access to new markets Client satisfaction Focus on poverty/base of the pyramid	Desk review of project documents, EvNotes, client survey results, IEG evaluations, interviews with clients and IFC staff
2.2 What are the effects of IFC's market-focused programs on its strategic clients' development outcomes and other results?	Triple bottom line (financial, environmental, social) Project design and structure Access to new markets Client satisfaction Focus on poverty/base of the pyramid	Desk review of program documents, progress reports, associated/relevant project documents, IEG evaluations, interviews with clients and IFC staff
2.3 What are the effects of IFC's country-focused plans on its strategic clients' development outcomes and other results?	Triple bottom line (financial, environmental, social) Project design and structure Access to new markets Client satisfaction Focus on poverty/base of the pyramid	Desk review of (JIP) plan documents, progress reports, associated/relevant project documents, IEG evaluations, interviews with clients and IFC staff

Evaluative Questions	Key Indicators	Methods/Sources
3. What are the effects of IFC's approaches to strategic client engagement on IFC itself?		
3.1 What are the effects of IFC's client focused long term partnerships on IFC's performance with respect to its strategic priorities and other results?	Business volume and number of projects in IFC's strategic priority areas Efficiency Additionality (financial and non-financial) M&E of development impacts	Portfolio review/statistical analysis of IFC portfolio data base Desk review of project documents, EvNotes, IEG evaluations, interviews with clients and IFC staff
3.2 What are the effects of IFC's market-focused programs on IFC's performance with respect to its strategic priorities and other results?	Business volume and number of projects in IFC's strategic priority areas Efficiency Additionality (financial and non-financial) M&E of development impacts	Portfolio review/statistical analysis of IFC portfolio data base Desk review of relevant project documents, EvNotes, IEG evaluations, interviews with clients and IFC staff
3.3 What are the effects of IFC's country-focused plans on IFC's performance with respect to its strategic priorities and other results?	Business volume and number of projects in IFC's strategic priority areas Efficiency Additionality (financial and non-financial) M&E of development impacts	Portfolio review/statistical analysis of IFC portfolio data base Desk review of relevant project documents, EvNotes, IEG evaluations, interviews with clients and IFC staff
4. What are the effects of IFC's approaches to strategic client engagement on the host countries?		
4.1 What are the effects of IFC's client focused long term partnerships on the host countries?	Private sector investment conditions Private investment flows Jobs and opportunities creation Environmental and social sustainability Climate change mitigation Gender equity	Desk review of project XPSRs, EvNotes, IEG evaluations, World Bank country reports, interviews with clients and IFC staff
4.2 What are the effects of IFC's market-focused programs on the host countries?	Private sector investment conditions Private investment flows Jobs and opportunities creation Environmental and social sustainability Climate change mitigation Gender equity	Desk review of program progress reports, relevant project XPSRs, EvNotes, IEG evaluations, World Bank country reports, interviews with clients and IFC staff
4.3 What are the effects of IFC's country-focused plans on the host countries?	Private sector investment conditions Private investment flows Jobs and opportunities creation Environmental and social sustainability Climate change mitigation Gender equity	Desk review of plan progress reports, relevant project XPSRs, EvNotes, IEG evaluations, World Bank country reports, interviews with clients and IFC staff

Evaluative Questions	Key Indicators	Methods/Sources
5. What are the main factors explaining the differences in effects (strategic client engagement design and implementation factors, client factors, external factors)?		
5.1 To what extent have the behavioral outcomes arising out of the implementation of IFC’s client engagement plans/strategy had an effect on the clients’ development outcomes and other results?	Understanding of client objectives and needs Upstream planning of future client projects Access to client’s key decision makers IFC work quality	Desk review of relevant project documents, EvNotes, IEG evaluations, interviews with clients and IFC staff
5.2 To what extent have factors specific to the clients had an effect on these clients’ development outcomes and other results?	Sponsor risk Client management quality Corporate governance Profit margin Environmental and social management	Desk review of relevant project documents, EvNotes, IEG evaluations, interviews with clients and IFC staff
5.3 To what extent have factors specific to the host country and markets had an effect on the clients’ development outcomes and other results?	Country risk Political risk Market risk Private sector enabling environment Capital availability/ funding gaps Availability of bankable projects	Desk review of relevant project documents, EvNotes, IEG evaluations, interviews with clients and IFC staff