

INDEPENDENT EVALUATION GROUP - IFC

“Evaluation of IFC’s Private Enterprise Partnership Technical Assistance Program in the Former Soviet Union” (PEP study).

APPROACH PAPER

A. Introduction

1. This evaluation will address an IFC business segment that has grown rapidly and has become an integral part of IFC’s activities: Technical Assistance and Advisory Services (TAAS). IFC management now recognizes TAAS as essential to increasing IFC’s ability to: (i) support private sector development and create sustainable development impact; (ii) enhance the investment climate; (iii) provide additional benefits to investment clients and their surrounding communities; and (iv) distinguish IFC from competitors through value-added advisory services. IFC’s TAAS operations have doubled over the past decade from about \$60 million in FY93 to \$121 million in FY05. Since 1986, IFC’s TAAS activities have totaled a cumulative \$1.3 billion. Most of this funding has come from donors, with IFC contributions totaling about 19 percent.

2. About 52 percent, or \$681 million of the cumulative IFC’s TAAS to date, has been provided through regional facilities.¹ The two main models used by regions to design and implement TA activities are the Project Development Facilities (PDFs) and the Private Enterprise Partnership (PEP). The PDFs, which were the focus of a recent Independent Evaluation Group-IFC (IEG-IFC, formerly OEG) evaluation,² are active across most regions and claim the lion’s share of regional TAAS resources (\$423.8 million). The first PEP, which is the focus of this evaluation, was set up in 2000 in the former Soviet Union (FSU). Its creation restructured and consolidated an already large TAAS program that had delivered and managed approximately \$82 million in TAAS operations since 1992. Then in 2001, PEP FSU was expanded to include the countries of Central Asia. In total, since 1992 IFC has designed and implemented about 85 TAAS operations in FSU, totaling \$170 million with the support of donor funding. Total signed commitments under the PEP FSU program from 2000 to present are about \$90 million.

3. The objectives of PEP FSU -- as initially articulated in the 2000 Board paper and amended in 2001³ -- are to (i) support the creation and growth of small and medium-sized enterprises (SMEs); (ii) promote private sector investments; and (iii) improve the business enabling environment. PEP FSU has emphasized improving the *effectiveness* of TAAS in the region by: (i) streamlining administrative operations to reduce duplication and overhead costs; (ii) extending funding cycles to improve planning and budgeting functions; (iii) retaining

¹ The remaining amount of \$626 million (48 percent of total TAAS) has been provided through global programs including Technical Assistance Trust Funds, Foreign Investment Advisory Services, Global Environment Facility, and various small and medium-sized enterprise and sustainability initiatives. Note that several of the facilities contain some overlaps with TATF funding.

² SME Facilities, report number CODE2004-0055, June 30, 2004.

³ The stated 2000 Board paper objectives were SME development and FDI promotion. In 2001 this mandate was expanded to include ‘improving business enabling environments’ as an explicit objective, and ‘FDI promotion’ expanded to include all direct private investment (domestic and foreign).

qualified staff longer to maximize the returns on accumulated experience and on-the-job training; and (iv) improving data collection and reporting to donors and recipient communities about activities undertaken. PEP FSU has also had the goal of aligning IFC's TAAS work better with World Bank Group country assistance strategy by: (i) increasing focus on grassroots private sector development, governance and institutions; (ii) sequencing TAAS to pace strategic reforms; (iii) providing a vehicle for donors to participate in the technical assistance to the region; and (iv) creating a practical mechanism for using the experience gained through past projects in prioritizing and designing future programs.

4. Many in IFC view PEP FSU as a model for developing and delivering many types of TAAS. This model is spreading and supporting some Project Development Facilities. In the last fiscal year, IFC regional departments in Africa, Middle East North Africa and Southeast Europe adopted the PEP name for TAAS programs, and have attempted to model various features of the PEP FSU. Other regional facilities are also seeking to incorporate elements of the PEP FSU approach in their TAAS programs (e.g. Africa Project Development Facility and Latin America and Caribbean Facility). Despite the enthusiasm to emulate features of the 'PEP model' across IFC, information and knowledge of what worked well and not so well in the PEP FSU experience is not widespread, and is mostly anecdotal. Furthermore, no independent evaluation of PEP FSU has been conducted.

B. Objectives and Key Questions to be Addressed

5. The purpose of this study is to analyze PEP FSU's experience to date to help determine lessons learned on how the TAAS business line could be improved. A key objective is to evaluate the extent to which PEP FSU has fulfilled its goals and showed results on the ground. The study will identify what worked well and not so well and derive success factors and lessons that can be adapted and applied in other TAAS programs. The PEP FSU evaluation will use an evaluative framework that focuses on the dimensions of strategic relevance, output, outcome and impact achievement, including sustainability, efficiency, and IFC's performance. The framework will guide the evaluation at the individual project level and at the level of the overall PEP FSU program. The evaluation will consider the country and regional contexts and, to the extent relevant and feasible, make comparisons (i) with expectations, (ii) over time, and (iii) with similar projects across countries. To the extent information is available on similar programs by IFC or others, the PEP FSU evaluation will draw on this information to make comparisons.

6. The following key questions are addressed in this study:

(i) What is the PEP FSU model?

- What led to the creation of PEP FSU? How is PEP FSU structured to address weaknesses or potential difficulties in the traditional approach to TAAS activities in the region?
- What are the main characteristics of PEP FSU? How does PEP FSU compare to the PDFs? What has made it a model TAAS program?

ii) To what extent has PEP FSU followed its mandate and achieved its stated objectives (as described in paragraph 3)?

- What have PEP FSU's activities been and how have they evolved? How significant are these relative to IFC's programs in these countries and to IFC's overall TAAS activities?
- What are the outcomes of PEP FSU TAAS operations? What are the impacts and results on the ground? How reasonable were the costs in relation to the results? To what extent did PEP FSU activities result in IFC investments, and promotion of other (non-IFC) private investments? What has been the impact on developing SMEs or improving enabling environments?
- How does PEP FSU decide which competing priorities to address in its operations? Has PEP FSU addressed the right items in its TAAS work in the region or were there lost opportunities?
- To what extent have organizational and administrative structures and processes contributed toward the effectiveness of PEP FSU (e.g. management structure, human resource management and development, monitoring and evaluation (M&E))?
- How well does PEP FSU coordinate its activities with the rest of the World Bank Group (WBG), including IFC investment operations, and with other donors active in the region? How could synergies be enhanced? How well does PEP FSU share its knowledge and information on what has worked and has not worked with the rest of IFC and WBG?

(iii) What are the implications for current and future IFC TAAS activities?

- Which types of PEP FSU operations/product types have yielded greatest development impacts? Which ones have had less pronounced development impacts?
- What lessons can be drawn from PEP FSU? What have been PEP FSU's comparative advantages in developing and providing TA? What are the success factors and what factors have limited PEP FSU's success?
- How can PEP FSU improve the performance of its activities (at the product/project level and for PEP FSU management and support functions, including M&E and funding)? What elements of lessons learned can be applied to other IFC TAAS programs?
- In terms of strategic relevance, effectiveness and reach, how does PEP FSU compare to other TAAS facilities (PDFs, Foreign Investment Advisory Services (FIAS))?

C. Scope and Methodology

7. The evaluation will focus on activities undertaken by IFC in PEP FSU as proposed in the 2000 report to the Board and as expanded in the 2002 report.⁴ The evaluation will take place on two levels: the project level and the PEP FSU program level as a vehicle for delivering TAAS operation. All PEP FSU TAAS projects completed by end FY05 will be evaluated for this study.

8. In addition, the study will include a purposive sample of selected pre-2000 TAAS activities in the FSU region. This sample will include projects (i) with potential to generate relevant lessons for informing IFC's TAAS strategy, delivery, and implementation going forward; and (ii) with potential to reveal longer-term impacts and lessons associated with TAAS that it may be too early to detect in the younger population of PEP FSU projects. The inclusion of some of the early TAAS work will also provide a basis for assessing gains in internal efficiency and effectiveness proposed under the PEP FSU consolidation and restructuring from 2000 onward.

9. The evaluation will mainly consist of independent project-level evaluations, and analysis of PEP FSU management structure and support functions, such as human resource management and monitoring and evaluation. The evaluation will include stakeholder interviews to pursue cross-cutting PEP FSU program themes and issues arising from the analysis and comparisons of PEP projects, as well as from other providers of TA with similar programs/projects. For the project-level evaluations, IEG will pilot a version of the TAAS Project Completion Report that is being developed and tested by an IFC working group advised by IEG.⁵ The IEG team will conduct project level evaluations for about 45 PEP projects, of which six projects were initiated before 2000. These project-level evaluations will constitute the 'building blocks' of the PEP FSU program evaluation, and will also contribute to piloting the new framework. This framework will be customized for each PEP FSU project and will provide the basis for interviews, focus groups, and surveys of PEP FSU project stakeholders (government officials, private sector representatives, donors, WBG staff) during field visits. Information and knowledge gained from field visits, interviews, PEP FSU project files and data, and documentation review will provide a basis for rendering IEG's judgment synthesis ratings for each project.

10. The PEP FSU program study will also draw on other evaluations, surveys and materials of mature active and closed projects, and relevant data sources. This includes, among others, IEG's country and thematic evaluations, as well as other WBG evaluations and reviews.⁶ Additionally, meetings will be held with former and current IFC and World Bank

⁴ Main PEP FSU board report is IFC/R2000-75, dated May 8, 2000, and the second report is IFC/R2002-0191.

⁵ IFC is currently developing a Project Completion Report for its TAAS projects for planned implementation later in this fiscal year. The framework IEG is using for the PEP evaluation is consistent with it. IEG will use the framework for other of its studies to evaluate TAAS projects completed before the rollout of the corporate Project Completion Report.

⁶ IEG reports include: Russia Country Impact Review (CODE2002-0026, April 2002), SME Facilities (CODE2004-0055, June 30, 2004), and Evaluation of IFC's Investment Climate Activities (CODE2004-0086, November 3, 2004).

staff, project counterparts and others. The PEP FSU study will also review the environmental and social implications of the PEP program where relevant.⁷ This includes an exploration of how project-related environmental and social sustainability issues have been addressed in the PEP model; how these objectives were identified and formulated at appraisal, how they have been monitored and met; and what are project level and wider environmental and social impacts of PEP operations.

D. Timing and Budget

11. The evaluation is scheduled for CODE delivery in the fourth quarter of FY06.
12. The study is budgeted at \$430,000, comprised of \$120,000 for travel and \$310,000 for staff time and consultants.

⁷Environmental and social sustainability issues are not relevant for all PEP projects, but do feature for a proportion of them.