

Private Sector Advisory Projects

Methodological Reflections from
the Independent Evaluation
Group's Experience and Approach

Belén Barbeito
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IEG
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Belén Barbeito and Izlem Yenice

Independent Evaluation Group

February 2026

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ABSTRACT

Advisory and capacity development interventions, often interchangeably used with terms such as *capacity building*, *nonlending operations*, *technical assistance*, or *technical cooperation*, aim to improve skills, knowledge, and systems. They are integral to effective and sustainable development because they turn financing into implementable reforms and lasting institutional capabilities. Despite their significance, these activities are often undervalued, and their impacts remain insufficiently understood. The challenge is primarily methodological: systematically evidencing behavior change and assessing effectiveness in capacity development interventions, compared with other types of financial interventions, is stymied by several constraints, from conceptualization to operationalization and measurement.

Using the case of the International Finance Corporation's advisory services self-evaluation and the Independent Evaluation Group's independent validation work, this paper reflects on the methodological challenges of self-evaluating advisory services projects, especially assessing their effectiveness and the quality of the advisory work completed in the project setting. It proposes ways to address these challenges, ultimately aiming to enhance organizational learning. The paper also provides in-depth insights into the significant institutional arrangements needed for conducting this type of self-assessment and independent validation. By reflecting on the Independent Evaluation Group's experience, the paper aims to contribute to best practices for evaluating capacity development interventions and to support the continuous improvement of evaluation methodologies.

ABBREVIATIONS

- IEG Independent Evaluation Group
- IFC International Finance Corporation
- IMF International Monetary Fund
- PCR Project Completion Report
- SMEs small and medium enterprises

All dollar amounts are US dollars unless otherwise indicated.

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INTRODUCTION

Although development finance institutions are best known for their financial support to client countries, they also play a key role in institution and capacity building, knowledge transfer, and technical assistance. Advisory services represent a growing share of activities and a core value proposition for these institutions, yet these activities are undervalued, and little is known about the impact of knowledge products and services on enhancing the capacities of the institutions' clients.

Capacity development interventions—also known as capacity building, nonlending operations, technical assistance, technical cooperation, and advisory services—aim to improve skills, knowledge, and systems.¹ They have become integral to effective and sustainable development because individuals, communities, and institutions need the outputs of these interventions to develop and become self-sustaining. Development finance institutions and other nongovernmental institutions have increasingly recognized the key role these interventions play in making development effective and sustainable. This is evidenced by an increase over the years in the size of advisory services provided and reflected in the United Nations 2030 Agenda for Sustainable Development (United Nations Department of Economic and Social Affairs, n.d.). In 2022, about 10 percent of the flows of official development assistance to technical cooperation activities were earmarked primarily for strengthening countries' capacities (OECD 2025).²

Advisory services and analytics represent 40–50 percent of total World Bank expenditures on projects, which in FY 2022 were \$783 million (World Bank 2022). The advisory services of the International Finance Corporation (IFC) have also grown rapidly since 2001. Annual advisory services expenditures, for both client-facing (that is, external engagements in which IFC provides technical services and assistance directly to clients) and non-client-facing (for example, diagnostics, knowledge generation, market assessments, and product and project development whose main purpose is to inform IFC strategies or operations) program activities, increased from \$24 million in 2001 to \$270.3 million in FY24 (IFC 2024; World Bank 2009). Most recently, the World Bank, IFC, and the Multilateral Investment Guarantee Agency have taken steps to integrate their knowledge work under a single framework and revive the organization's identity as the Knowledge Bank, highlighting the increasing significance of knowledge in the World Bank Group's development work. Over the years, data from advisory services projects validated by the Independent Evaluation Group (IEG) show

that client-facing advisory projects have also become more complex, bigger, and longer.³ As figure I.1 shows, in FY08 the average size of an IFC advisory project was approximately \$500,000, and the average project lasted 21 months. By FY23, the average project size had increased to \$1.65 million, and projects lasted an average of 4.5 years.

Figure I.1. Evolution of Size and Duration of Advisory Services Projects



Source: Independent Evaluation Group validation database based on International Finance Corporation's portfolio data.

Note: This figure is based on the Independent Evaluation Group's annual sample of completed client-facing advisory services projects with development effectiveness rating, selected for the Independent Evaluation Group validation purposes.

Despite the steady increase in the volume of advisory services, many development finance institutions lack systematic approaches and systems for measuring and assessing the outcomes of advisory services projects. The Evaluation Cooperation Group, which consists of 11 international financial institutions, promotes a more harmonized approach to evaluation methodologies among international financial institutions. However, while the group has developed Good Practice Standards for various types of financing instruments, there are currently no such standards specifically addressing the evaluation of advisory services. Several factors contribute to this gap. First, advisory services projects often yield behavioral or institutional changes that are harder to capture, let alone quantify, than the results of investments and loans (Timmis 2018). Second, advisory services projects generally reveal their impacts only over the long term, making it challenging to track and

evaluate them within typical project cycles (Azevedo and Colnar 2023). Third, advisory services and analytics are often delivered along with other interventions, making it difficult to disentangle their contributions.

Self-evaluation systems are critical for supporting performance management and internal and external accountability and enhancing operational quality through learning (World Bank 2016, 2025). Yet, whereas development finance institutions have self-evaluation systems for investment operations (frequently with independent validations), they generally do not have them for advisory services projects. Evaluations of advisory services projects are often ad hoc, conducted to meet donors' reporting requirements or to serve decision-making needs of country or program teams rather than systematically assessing outcomes and impacts (IMF 2013). Such ad hoc approaches tend to overlook systemic issues and opportunities and can introduce biases in assessing the overall performance of capacity development portfolios, as the evaluated projects may not represent the issues underlying the general portfolio.

In this regard, IFC is among the exceptions. Although its advisory services portfolio is largely donor funded, focused on soft outcomes such as behavioral change and therefore facing impact assessment challenges, IFC has established a systematic self-evaluation system to support accountability and learning. IFC established, in 2008, a structured approach to self-evaluating and validating its performance in delivering advisory services.⁴ IFC's self-evaluation system encompasses client and sector development projects that are client facing and designed to achieve development outcomes and potentially impacts. However, IFC's self-evaluation system excludes advisory services that are intended solely to produce output-level results (such as client diagnostics) and limited-scope engagements where IFC cost-shares specific activities with a counterpart to support the early stages of project identification or preparation. Additionally, non-client-facing activities, primarily internal efforts such as market or sector diagnostics, knowledge generation, and product development, which aim to improve IFC's understanding and product offerings, are also excluded.

IFC's project-level self-evaluation system and IEG's complementary validation work have grown and evolved with IFC's advisory services portfolio over the years and have included a strong collaboration between IFC and IEG. The self-evaluation and validation system has been used to evaluate advisory services projects systematically for more than 15 years, providing extensive experience that can highlight the challenges and limitations that arise in self-evaluation systems and also inform best practices and approaches to dealing with such challenges.

This paper reflects on the methodological challenges of evaluating advisory services projects, especially assessing their effectiveness and the quality of the advisory work

completed in the project setting. It proposes ways to address these challenges, ultimately aiming to enhance organizational learning. The paper also provides in-depth insights into the significant institutional arrangements needed for conducting this type of self-assessment and independent validation.

The paper first describes commonly used capacity development typologies encompassing IFC's advisory services and relevant evaluation frameworks in the development sphere. Next, it presents IFC's self-evaluation system for advisory services and the independent validation performed, the system's evolution, and the roles operational and IEG teams play in it. Finally, it discusses challenges in self-evaluation and validation, reflecting on IEG's lessons from our implementation experience.

Endnotes

- 1 In this paper, except for the literature review section, the term *advisory services* is used instead of *capacity development*, as it is commonly referred to in the Bank Group's private sector arm, IFC.
- 2 We divided technical cooperation disbursements by official development assistance grant disbursements to calculate the share of technical cooperation in official development assistance.
- 3 Figure I.1 does not present the full scope of advisory services and excludes client-facing feasibility studies that did not result in tangible outcomes and internal-facing projects aimed at enhancing IFC's understanding or product offerings such as diagnostics and knowledge studies. This is because the self-evaluation system covers only client-facing projects with tangible outcomes. If all types of advisory services were included in the analysis, the observed trend could be different.
- 4 To IEG's knowledge, while international financial institutions conduct project-level evaluations for advisory services, none have established a systematic self-evaluation and independent validation system.

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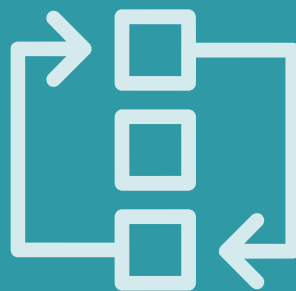
CONCEPTUALIZING AND EVALUATING CAPACITY DEVELOPMENT



Evolving capacity
development concepts
and frameworks



Heterogeneous
capacity development
activities



Evaluation
approaches and
methodological
trade-offs

What Constitutes Capacity Development?

The concept of capacity development has a long history, having emerged in the literature in its current format in the late 1980s, but with origins in the 1950s, when development finance institutions started providing technical assistance for institution building, equipping local public institutions with financial resources and infrastructure to administer public investment (Vallejo and Wehn 2016). Over the decades, terminology evolved from institutional building to a focus on institutional development, capacity building, and capacity development, reflecting a greater emphasis in development aid toward a more people-centric and demand-driven approach. If, for example, institutional development emphasizes “creating or reforming organizations and institutions...to improve public sector effectiveness,” capacity building emphasizes “building individuals’ abilities and organizations’ capabilities to undertake different tasks in various development sectors” (Kacou et al. 2022, 222). Capacity development shifted this focus from building to strengthening individual and organizational skills and knowledge to acknowledge that these interventions aim to enhance existing capacities, not necessarily build them from zero (see Brinkerhoff and Morgan [2010] for a discussion).

Despite a strong consensus on its crucial role in development and its frequent use, capacity development has no standard definition, nor are the types of interventions that constitute it standard. In part, this is because of the multidimensional, multis-takeholder, multilevel nature of capacity development, ranging from individual-level change in skills and knowledge to organization-level and even systemic-level changes in norms, processes, policies, or structures (Christoplos et al. 2014; Kacou et al. 2022; Ubels et al. 2010). In addition, because capacity development targets systemic and participatory goals, it becomes increasingly relational and dynamic and requires encompassing both tangible and intangible aspects of capacity (Ubels et al. 2010).

Seeking to encompass such variation and complexity under a single overarching conceptual umbrella can lead to weak theoretical underpinnings and risk conceptual ambiguity. In response, academics and practitioners have developed several conceptual frameworks and approaches that highlight different aspects of capacity development or operationalize it with a focus on distinct dimensions, with different degrees of overlap and complementarity. For example, as discussed in the Independent Evaluation Group (IEG) Evaluation Insight Note on capacity development, the World Bank does not have an overall framework, but it often productively relied on the Institutional Change Assessment Method to assess institutional capacity development along three dimensions (see, for example, Otoo et al. 2009; World Bank 2013, 2018, 2021): strengthening ownership by interest groups, reforming policy instruments, and enhancing organizational arrangements

(World Bank 2023). Ubels et al. (2010) discuss two influential practitioner frameworks. The first is Kaplan (1999) and the Community Development Resource Association’s six elements of organizational capacity, which emphasize the complexity, systemic nature, and visible and invisible dimensions of capacity, while also distinguishing between loosely hierarchical organizational subsystems. The second is the European Centre for Development Policy Management’s 5Cs framework (Baser and Morgan 2008), which identifies five core capabilities applicable to any level of a human system as key: the capability to act and self-organize, to generate development results, to relate, to adapt and self-renew, and to achieve coherence.

In addition, as noted in the introduction, development finance institutions use many different terms to refer to capacity development and capacity building (refer to box 1.1 for definitions from select institutions). What constitutes a capacity development intervention also varies across these institutions (refer to box 1.2 for examples of capacity-building activities). Some are internal to the institutions and focus on improving their understanding, knowledge, and business; others target the institutions’ external clients or audiences (for example, public institutions, private firms, academia, and the public). In this paper, we focus on client-facing capacity development.

Within the World Bank, advisory products or services for clients are known as advisory services and analytics. They aim to support clients and help them design or implement more effective policies; strengthen their institutions or organizations; and inform their development strategies, operations, or financing (World Bank, n.d.). Deliverables related to advisory services and analytics include reports on key economic, social, and sectoral issues; project-related advice and technical assistance; policy notes and presentations; impact evaluations; and knowledge-sharing workshops, conferences, or training programs (World Bank, n.d.).

The International Finance Corporation (IFC) defines advisory services as engagements in which “IFC provides a client with advice (for example, consulting services, technical assistance) on a specific subject” (IFC 2023, 1). IFC’s clients are either private sector companies or governmental or nongovernmental institutions or organi-

zations, such as ministries, municipalities, central banks, and business associations, among others.

Box 1.1. How Development Finance Institutions Define Capacity Development: Some Examples

The Organisation for Economic Co-operation and Development's Development Assistance Committee provides one of the most widely referenced definitions for capacity development as "the process whereby people, organisations and society as a whole unleash, strengthen, create, adapt and maintain capacity over time" (OECD 2008, 244).

According to the United Nations (n.d.), capacity building is "the process of developing and strengthening the skills, instincts, abilities, processes, and resources that organizations and communities need to survive, adapt, and thrive in a fast-changing world." Key to capacity building is transformation that is generated and sustained over time from within, going beyond performing tasks to changing mindsets and attitudes.

The International Labour Organization defines capacity development as a "process through which individuals, organizations and societies obtain, strengthen and maintain the capabilities to set and achieve their own development objectives over time" (ILO 2019, 1).

For the International Monetary Fund, capacity development consists of activities to "build strong institutions and boost skills to formulate and implement sound macro-economic and financial policies" (IMF 2019, 3).

The World Bank's advisory services and analytics entail supporting design or implementation of better policies, strengthening institutions, building capacity, informing development strategies or operations, and contributing to the global development agenda (World Bank, n.d.).

For the International Finance Corporation, capacity development consists of advice (consulting services and technical assistance) or skill development on a specific subject or matter related to private sector development (IFC n.d.).

Source: Independent Evaluation Group.

Box 1.2. Select Capacity-Building Activities

Financial support of projects during project preparation, implementation via capacity building, and policy advice

Institutional capacity building through hands-on advice and technical assistance, knowledge-sharing workshops, or training programs

Policy and strategy advice to inform government policy reforms through policy notes and presentations

Convening and advocacy work to develop partnerships and alliances

Knowledge creation through analytical reports to produce new knowledge, including reports on economic, social, and sectoral issues for government and external audiences

Source: Independent Evaluation Group.

IFC advisory services projects have a wide scope and fall into three main categories (IFC 2023; refer to box 1.3 for examples of each):¹

- **Enabling the environment for private sector activities**, which includes a particular sector's legal or policy framework, building capacity of public institutions serving the private sector, or facilitating private sector entities' access to information or services
- **Firm-level advisory services**, which include support to private sector companies to enable them to enhance their operational capacity and efficiency, improve financial sustainability, manage risks better, and improve their development impact
- **Transaction advisory services**, which include advice to public sector entities on public-private partnerships and support to private sector companies regarding partnerships, mergers, and acquisitions

Box 1.3. Examples of Advisory Services Provided by the International Finance Corporation

Enabling the environment for private sector activities. For a client country, the International Finance Corporation (IFC) improved the enabling environment for promoting development of sustainable tourism, focusing on creating private investment opportunities in the country. The project identified the public and private investments required to enable the country's tourism sector to transition toward greater sustainability (across social, economic, environmental, and cultural dimensions) and alignment with green building standards, to mitigate the effects of climate change, and to conserve natural resources. The project focused on two components: working with relevant stakeholders to create opportunities for private investment opportunities in the tourism sector and with the government to enable green investments and promote sustainability of the tourism sector.

Firm-level advisory services. At the firm level, IFC supported a commercial bank in a client country in digitizing the bank's offerings and enabled it to expand its reach to small and medium enterprises, including those that are owned by women, in the country and beyond. The project had two phases: in the first, IFC assisted in launching the digital platform, and in the second, it assisted in operationalizing the platform by helping onboard the enterprises.

Transaction advisory services. IFC provided transaction advisory services to a client country's Ministry of Energy and Water for structuring and implementing a public-private partnership to improve the quality and coverage of water supply and distribution services in the country's capital city.

Source: International Finance Corporation Project Information and Data Portal (accessed July 11, 2025), <https://disclosures.ifc.org>.

How Do Development Finance Institutions Evaluate Work in Client-Facing Capacity Development?

To accommodate the variety and scope of capacity development activities, major bilateral, multilateral, and international organizations have developed several frameworks and methodologies for evaluating capacity-building activities (ECG 2012). Most of these frameworks are rooted in criteria established by the Organisation for Economic Co-operation and Development's Development Assistance Committee: relevance, coherence, effectiveness, efficiency, impact, and sustainability. These criteria are also used for assessing capacity-building work and the performance of

technical assistance operations. For example, the Asian Development Bank and the International Monetary Fund (IMF) measure the performance of their technical assistance operations based on assessments of relevance, effectiveness, and efficiency, each with a corresponding rating scale.

Approaches of this type have several advantages: a standardized and widely accepted methodology, a structured results chain, and comparability across different capacity-building initiatives. Nevertheless, the methodology used in such approaches also presents several downsides—it can be rigid and is not always readily adaptable to specific contexts, and it tends to work well when assessing the delivery of outputs but is more challenging when assessing the contribution to outcomes. It also has weaknesses in capturing intangible changes such as behavioral shifts or alterations in institutional culture, which are critical for capacity development. For example, a 2018 IMF review found that the organization needed to shift focus to results in the field rather than outputs (IMF 2018). A 2022 evaluation by IMF’s Independent Evaluation Office found that none of the systems then in place could provide a full picture of the contributions, outcomes, and impact of the IMF’s capacity development (IEO 2022). Similarly, the European Investment Bank’s 2023 evaluation of its technical assistance found that the bank’s systems for monitoring and evaluating advisory activities could not capture fully the impact of advisory support on securing investment. This was partly due to the typical time lag between delivery of outputs and realization of results and conceptual issues in establishing attribution and causality (EIB Group 2023).

Alternative approaches for measuring the effectiveness of capacity development interventions have been developed over the years. One of these approaches is the Inter-American Development Bank’s Development Effectiveness Matrix for knowledge and capacity work (IDB 2008). Whereas the Inter-American Development Bank follows the Organisation for Economic Co-operation and Development criteria for measuring the performance of its lending projects and country programs, it takes a different approach to evaluating the performance of its knowledge and capacity-building products. Its common performance metric uses four mission-specific dimensions: relevance, policy development, knowledge management, and customer service. However, depending on the knowledge product type (client-centered, outreach-centered, policy development, knowledge management, or strategic development), a relative weight is assigned for each mission-specific dimension. For example, if a knowledge and capacity-building product is derived from short-term, client-driven needs, then performance is measured by delivery speed and customer satisfaction, and more weight is assigned to the relevant mission dimension, customer service. In contrast, long-term and client-driven needs are primarily assessed based on some combination of the policy development dimension, the

quality of the analytical work performed, and the degree to which it helps shape the formulation and implementation of the policy and build the required consensus for policy decision-making.

As noted earlier, the Evaluation Cooperation Group has not developed Good Practice Standards for advisory services. Nevertheless, many development finance institutions have frameworks in place to evaluate capacity development activities, but systematically assessing the performance and impact of technical assistance interventions can pose a challenge in capturing both changes in outcomes and the interventions that drive these changes. First, understanding what results to measure and how to measure them—that is, conceptualizing, operationalizing, and measuring outcomes—is seldom straightforward. Outcomes of capacity- and institution-building activities are complex and varied, making them hard to quantify or capture under simple metrics that can be applied across diverse potential changes. The longer time frames allotted or expected for observing impacts introduce further complexity, as trajectories of change for capacity development interventions are seldom linear, and reaching improvements depends on a complex combination of conditions.

Such conceptualization is necessary because indicators of results tracked for advisory services and analytics are not always comprehensive. For example, at the World Bank, self-assessment comprises the ratings and information provided by project team leaders in the projects' activity completion summaries to indicate the achievement of outcomes. Indicators of results are tracked for programmatic advisory services and analytics and some donor-funded activities. Such tracking is optional, however, for all tasks related to other advisory services and analytics. The World Bank does not evaluate each project involving advisory services and analytics, and the results of such services and analytics are not reported at the corporate level (World Bank 2016, 2019). Independent evaluation at the World Bank does not evaluate or validate advisory services and analytics unless they are part of a country, sector, or thematic evaluation.

Second, assessing impacts requires establishing a robust link between any changes in outcomes and the capacity development interventions themselves. A large number of capacity development interventions, with activities ranging from small and rapid to very large, programmatic, multicountry, or long term, may be ongoing and targeting similar development outcomes. A single advisory services intervention is unlikely to trigger or significantly contribute to change on its own. Targeting the right package and sequence of interventions at the right level of analysis is critical yet also challenging to assess because of this heterogeneity in interventions.

In the rest of this paper, we provide an overview of the key elements and processes underlying IFC's self-evaluation and IEG's independent validation. We then discuss methodological limitations to systematic learning and accountability from stand-alone advisory services and analytics and reflect on the practical approaches IEG has developed to address these limitations.

Endnote

1 Note that an IFC advisory services project may support an IFC investment project but does not in all cases do so.

2

HOW IFC'S SELF-EVALUATION OF ADVISORY SERVICES AND IEG'S INDEPENDENT VALIDATION WORK



Ensuring portfolio
accountability and
transparency



Using an objective-
based evaluation
approach

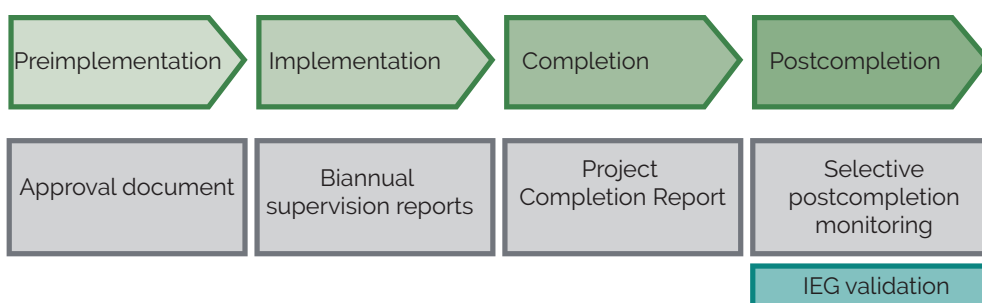


A deeply cooperative
validation process

With the growth of its advisory services portfolio, IFC needed to develop an internal governance system that ensured the portfolio’s accountability and transparency throughout the project cycle. In creating such a system, IFC took a systematic approach covering all client-facing activities.¹ It developed standard mandatory documents for the project life cycle, starting with an approval document, complemented by biannual supervision reports.² IFC’s self-evaluation document, the Project Completion Report (PCR), launched in 2008, completes the project life cycle. That year also marked the start of the independent validation process IEG uses for this subset of advisory services projects.

IFC and IEG collaborated to develop a results-based project cycle that met minimum standards for evaluation, especially during conceptualization of PCRs, and that could be implemented at scale. Underlying the design of templates for approval and PCRs was the objective-based evaluation approach, which fulfills IFC’s need to hold project teams accountable for the development objectives they formulated at project approval while generating lessons that could be used to improve future interventions. IFC and IEG jointly developed the rating guidelines for PCRs, conducting several pilot tests to refine and validate the guidelines, which IFC staff members and IEG evaluators follow when preparing and validating, respectively, PCRs. PCRs and the associated rating guidelines are the keystones of the advisory services self-evaluation system, which concludes with IEG’s independent validation of PCRs through its Evaluative Notes. These client-facing advisory services projects follow an approved project cycle, illustrated in figure 2.1, and the teams working on the projects must prepare PCRs using the agreed methodology. IEG validates a random stratified sample of these PCRs every year. Since 2008, it has validated the PCRs for more than a thousand projects completed between FY 2008 and FY25.

Figure 2.1. Advisory Project Cycle



Source: Independent Evaluation Group.

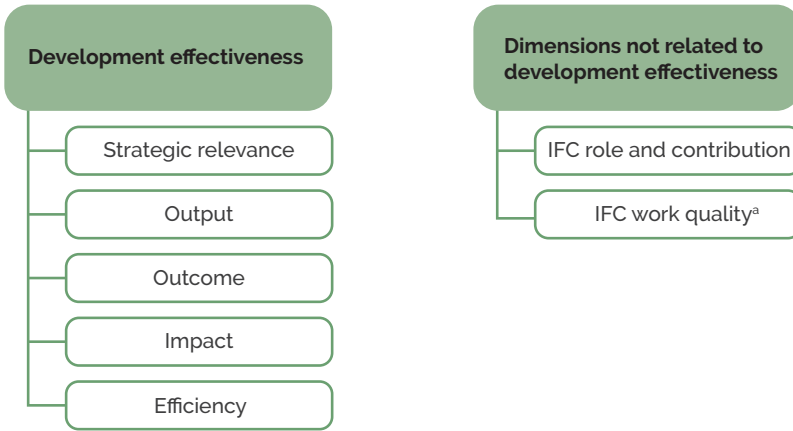
Note: IEG = Independent Evaluation Group.

PCRs serve a dual purpose. First, they are an integral part of advisory services governance because they mark the official closure of the project in IFC's books. Second, they are self-evaluation documents that fulfill the institution's needs for accountability and learning. Consequently, they are expected to tell the project's story. PCRs not only report the degree to which a project achieves its development objective, as supported by evidence, but also reflect on factors that influenced the project's effectiveness (drivers of success or failure) and how it addressed challenges encountered during implementation. According to the aforementioned PCR rating guidelines, "the project completion report should flow logically from the analysis of the data, showing a clear line of evidence (theory of change) to support the conclusions. Conclusions should be substantiated by evidence and appropriate analysis needed to establish a plausible attribution of said results to the project as well as clear context in which the results have been achieved" (IFC 2020, 4).

The PCR rating guidelines provide project teams, IFC staff members, and IEG evaluators with a common methodology for assessing and rating projects' achievement of development objectives and identifying and extracting lessons related to internal or external factors that may have affected projects' implementation and results.³ Projects are assessed and rated across three dimensions (figure 2.2):

- **Development effectiveness** reflects the extent to which a project achieved its intended objectives. It is a synthesis (not an average) of five underlying subdimensions: strategic relevance, output, outcome, impact (that is, results), and efficiency.⁴
- **IFC role and contribution** reflects the value added by IFC versus alternative providers of advice or lack thereof.
- **IFC work quality** assesses the performance of the IFC project team and has two subdimensions: project preparation and design, and project implementation and supervision.

Figure 2.2. Dimensions Rated in Project Completion Reports



Source: Independent Evaluation Group.

Note: IFC = International Finance Corporation.

a. IFC project teams are not required to rate this dimension.

As noted earlier, IEG independently validates a sample of IFC PCRs each year for accountability and learning purposes. Projects are selected by applying stratified random sampling to the population of projects completed in the previous fiscal year. The stratified random sample has two main strata (region and primary business area) so that, within statistical limits, IEG can make observations about both the performance of IFC projects overall and key subareas important to IFC on a three-year rolling basis.

When conducting the PCR validation, IEG reviews a project’s primary sources of evidence (for example, project documentation, client reports, and evidence files), conducts interviews and discussions with IFC teams, and searches for postcompletion evidence and secondary data from external and investor sources. IEG records its evaluative findings in Evaluative Notes, in which it assigns projects ratings and provides its rationale for the ratings. For quality assurance purposes and for consistency across Evaluative Notes, IEG advisory services sector leads—senior IEG staff members familiar with the advisory services sector—peer-review Evaluative Notes before they are finalized.⁵

The validation process is deeply cooperative as well: IEG and project teams discuss the findings of Evaluative Notes at the draft stage. Discussions held during the validation process are key to maintaining the system’s integrity, ensuring ratings’ transparency, and giving IFC teams the chance to improve or qualify IEG’s assessments. The process also provides an opportunity for IEG and IFC to discuss how to improve

results frameworks and quality of evidence in future projects, important feedback in cases of new types of projects undergoing the validation process for the first time.⁶

As described earlier, IEG evaluators follow an objective and rigorous approach in reviewing self-evaluations by project teams. Yet they face myriad challenges during the validation process, from lack of clarity of project objectives to weak theories of change, lack of reliable and available evidence, changes to project objectives and outcomes or impacts during project implementation, attribution issues, and difficulties in assessing expected and unexpected project effects. Over the years, IFC and IEG teams have worked together to address some of these issues and develop solutions. Some other issues, however, remain as tension points or differences in opinion between IFC project teams and IEG evaluators.

In the next two chapters, we discuss key challenges that may arise during PCR validation and how they have been dealt with, either at the corporate level or by IEG evaluators. We first focus on the assessment of project effectiveness, given its critical role in evaluating advisory services. We then zoom in on challenges and perspectives that go beyond assessing performance and effectiveness, focusing on issues related to objectives, changes in outcomes over time, theories of change, and work quality. Notably, we do not discuss IFC's role and contribution directly, even though it is rated in PCRs; because there is typically little divergence between IFC's and IEG's assessments in this area, we do not focus on it in our discussion of evaluation challenges.

Endnotes

1 The system covers solely single project-level work. The self-evaluation system was designed to assess effectiveness of individual projects; hence, it does not assess results of programmatic interventions that pursue an overall goal through a sequence of complementary projects implemented over time. Such programs are best covered by other IEG evaluation products such as Country Program Evaluations or thematic evaluations (<https://ieg.worldbankgroup.org>), which use the information from individual project-level validations (if available).

Self-evaluations do not cover the following: (i) client-facing work that is primarily output oriented (for example, delivering a feasibility report) where there is no expectation by the IFC team that tangible behavior change (outcomes) by the client will materialize by project completion. Such projects are classified as client preparation because the advisory services are delivered with expectation to prepare the client for more comprehensive advisory services for which outcomes are expected or for possible IFC investment transaction; (ii) non-client-facing work that is geared toward developing IFC's understanding on a certain topic, business development activities to develop new project ideas or develop or enhance a standardized IFC product or approach, or development of thought leadership papers or conferences to share knowledge and

advocate for the value of IFC offering; and (iii) upstream activities, specifically collaborations and codevelopments, in which IFC acts as a potential investor. Where there are coordinated investment and advisory interventions, in which the advisory services project may be undertaken with the objective of improving the client's operations or making the investment project more developmental (for example, mitigation of environmental and social effects or improvement to a supplier chain), the self-evaluation systems for advisory services and investment projects operate independently of one another, and the completion report for an advisory services project may be selected for IEG validation but not the report for the corresponding investment services project (and vice versa). The only way to address this shortcoming, in the case of an evaluation of an advisory services project, is for the evaluator to identify the related investment project and consider relevant investment information (and if available, the group's validation of the completion report for the investment project) when preparing the advisory services Evaluative Note.

2 At approval, advisory services projects are expected to present an outcome-oriented statement of the project's development objective and develop a results framework, including relevant key performance indicators, baselines, and targets. IFC guidelines require development objectives for advisory services projects to focus on outcomes and impacts rather than outputs (the activities or tasks completed by IFC). Outcomes refer to changes in clients' behaviors, knowledge, and practices, whereas impacts relate to the effects of those changes on clients or other stakeholders (such as suppliers, borrowers, and the public at large).

Approval documents also include results frameworks, which reflect projects' causal chains by listing key outputs, outcomes, and impact indicators with baselines (as relevant) and targets. IFC management and evaluation officers, who are part of project teams, provide advice and quality assurance related to projects' results framework.

Project supervision reports are prepared biannually and discuss implementation progress during the period they cover, issues, risks ahead, and changes in project plans, along with lessons learned. They also include analysis of results to date and self-rated progress in achieving results in relation to semiannual targets. The management and evaluation officer assigned to a particular project provides quality assurance regarding reported progress toward targets and evidence presented by the team.

3 The guidelines follow the evaluation criteria of the Development Assistance Committee of the Organisation for Economic Co-operation and Development.

4 A project's outcome is the dimension that has the most weight when its development effectiveness is assessed, and it is key to unlocking the project's effects (impacts) on beneficiaries and stakeholders at large. Outcomes must be achieved within the typical duration of an advisory services project; in fact, a PCR is prepared only when sufficient time has passed for a project to have achieved its outcomes. Impacts, conversely, are difficult to achieve fully within a project's life cycle and usually start becoming apparent only after project completion. A project

might not have completely achieved its impacts at closure, but it can still be considered successful if its accomplishment of its outcomes is strong and it achieves other subdimensions of development effectiveness, such as strategic relevance, output, and efficiency.

5 The sector leads also oversee onboarding and training of new evaluators and most importantly contribute to keeping the system updated and relevant by identifying gaps in the evaluation methodology and proposing changes in methodology and guidelines to IFC's counterparts.

6 IFC has a centralized group of monitoring and evaluation officers (known in IFC as results measurement specialists), who are distributed across work sectors. They are embedded in project teams but report to a central department that is responsible for (among other things) maintaining the integrity of the advisory services self-evaluation system. These monitoring and evaluation officers are expected to advise operational teams on their results frameworks and management and evaluation plans and activities and to make sure that reported results are evidenced and the IFC teams adhere to the rating guidelines for project completion reports. The monitoring and evaluation officers play an important role in the IEG validation process by supporting the IFC team in their engagement with IEG, including guiding teams on providing additional evidence supporting the drafting of comments provided by IFC project team to the IEG's draft Evaluative Note.

3

ASSESSING PROJECT EFFECTIVENESS: CHALLENGES AND PERSPECTIVES



Focusing on outcomes
and impacts



Considering changes
in behavior, practice,
and organization



Triangulating
information to
address gaps in
evidence

Assessing Project Effectiveness: Achievement of Outcomes and Impacts

The guidelines for evaluating IFC advisory services projects require the project's development objectives to focus on outcomes and impacts, rather than outputs. Outputs are the activities or tasks completed by IFC. Driven by outputs or connected to the activities undertaken, outcomes, by contrast, reflect changes in clients' behaviors, knowledge, and practices, whereas impacts capture the broader effects of those changes on clients, stakeholders (for example, suppliers, borrowers, and the public), and the market (refer to table 3.1 for definitions). For example, outcomes may include a company implementing energy efficiency measures based on IFC's recommendations, a government enacting and implementing an IFC-supported regulation, or a financial institution launching gender-focused financial products developed with IFC's assistance. Corresponding impacts, conversely, may include greater access to essential services among beneficiaries, cost savings, or increased productivity for businesses adopting IFC-driven changes. IEG evaluators focus significantly on these two dimensions because they capture projects' core results about development.

Table 3.1. Outputs, Outcomes, and Impacts in the Advisory Services Self-Evaluation System

Outputs	Outcomes	Impacts
Direct services or products that must be delivered by a project team for the project's objective to be achieved, according to the logic of the project's results chain	Changes in clients' knowledge, behaviors, and practices that can be attributed to interventions implemented in a project	Consequences clearly linked to and resulting from an intervention, with a focus on the intervention's effects on client performance and on beneficiaries beyond clients

Source: IFC 2020.

Therefore, when assessing outcomes of advisory services projects, IEG considers reported changes in the behavior, practice, and organization of IFC's clients (that is, the recipients of the advice), looking for evidence that supports each reported change. IEG evaluators rely on information captured in various project reports as their primary source of evidence. These include clients' reports explaining the changes they adopted because of the advice provided and IFC monitoring documents, which include key performance indicators and qualitative information. Sometimes there is insufficient (or no) evidence to support a particular outcome change the project team has reported. In such cases, an evaluator requests more specific information from the project

team—who, in turn, might request it from the client—or attempts to gather the needed information from secondary sources, which may include publicly available information such as annual reports, websites, news reports, official publications, or announcements by the government in a client country.

For example, for a project that sought to improve a commercial bank’s management of credit risk, the project team provided, as evidence of behavioral and practice changes, several changes that the bank made to its credit risk processes, without identifying changes the bank made specifically because of IFC’s recommendations. Solid evidence goes beyond general claims (for example, “recommendations were adopted”) and provides specific, observable changes that can be directly attributed to project interventions. In this case, relevant evidence would include any bank communications or documents that clearly reflect the adoption of IFC’s recommendations, such as newly adopted credit risk policies or manuals, revisions to other internal policies, documentation of staff training and corresponding assessments, and establishment or restructuring of a risk management unit.

When assessing a project’s impact, IEG looks at the effects of the changes (that is, the project’s outcomes) on the client’s operational or financial performance and the effects on beneficiaries beyond the client (refer to box 3.1 for types of impacts). To continue with the example just introduced, on its impact, the improvement in the bank’s risk management was expected to improve the quality of the bank’s loan portfolio. Loan portfolio quality is usually tracked in IFC’s monitoring reports and can also be assessed based on information available in the bank’s audited financial statements. In this case, the evaluators could confirm the quality of the loan portfolio through the bank’s financial statements.

However, the assessment of impact may become complicated if a project’s effects have not materialized by project completion or if there is limited evidence of effects among beneficiaries or in markets. In some cases, the impact on direct beneficiaries can still be established. For example, a project supporting the upgrade of a power distribution system can claim it has had an impact (in the form of citizens benefiting from improved access and use of power services) as soon as the physical work is completed given that, shortly afterward, a reduction in power outages, a reduced cost of electricity, and similar indicators can demonstrate the improvement in power provision. However, in most cases, evidence of impact beyond clients is challenging to find at project completion and in the period shortly thereafter.

Therefore, assessing outcomes and impacts usually requires working with imperfect and incomplete evidence. In the next section, we outline the main obstacles and provide insights into types of evidence on outcomes and levels of impact.

Box 3.1. Types of Impact by Stakeholder

Impact at the client level. There is evidence that changes in client behavior (products, services, and practices) contribute to clients' commercial or financial sustainability or operational improvements. The Independent Evaluation Group (IEG) generally has a sizable amount of data on client-level impacts either because the International Finance Corporation collects postcompletion data or because the client for the project is also an investment client. In such cases, time series data on the client's financial, operations, and strategic directions are readily available. The client's public annual and financial reports are another good source for impacts information. Finally, sustainability of change of behavior is also considered under impact. Sustainability is understood as the client continuing the new behaviors, products, services, or practices on its own without the support of the project. This demonstrates the business case for the client—the new behaviors increased revenues or reduced costs through, for example, access to new markets, improved supply chain, cleaner production updates, improved operations, increased efficiency, or access to new financiers.

Impacts beyond the client. These are impacts on direct beneficiaries, for example, borrowers; distributors; farmers; micro, small, and medium enterprises; or the general population (in the case of public services) via increased productivity or better quality of production, increased access to and use of basic services or better-quality products or services, or access to new markets or clients. IEG often lacks data at this level because they require surveys of or interviews with ultimate beneficiaries or similar activities. Only a few advisory services projects collect data on impacts beyond the direct client, who is often the intermediary (for example, financial institution, manufacturing company, or government unit). IEG reviews generally involve no primary data collection because of their office- and desk-based nature.

Market-level and demonstration effects. These are impacts, beyond the client and direct beneficiaries, on the overall private or public sector in the country where the project was conducted, such as a new market niche being opened, other companies following best practices, and wider adoption of higher standards (for example, other companies making the same changes that the client made because of the project intervention). IEG tries to gather market-level information through the project team, online research, and externally available data and sources. However, IEG sometimes cannot obtain sufficient data at this level to effectively evaluate a project's effects.

Source: Independent Evaluation Group.

Challenges Related to Relevance, Reliability, and Availability of Evidence Regarding Performance

To assess outcomes and impacts, IEG evaluators must balance qualitative and quantitative pieces of evidence using a combination of qualitative changes and quantitative indicators tracked by IFC as primary evidence. Even though qualitative information is essential for properly assessing whether a project has achieved its development objective, sometimes operational teams rely on the achievement of quantitative targets to such an extent that they use indicators and their targets interchangeably with projects' development objectives. Although this problem is common in results-based management (see Vähämäki and Verger [2019] for a review and analysis of evaluation evidence on results-based management implementation challenges across Development Assistance Committee members and other agencies), it is particularly salient in capacity-building interventions, in which quantitative metrics are often inadequate for capturing processes of behavioral and institutional change. Thus, in some instances, a project is perceived as successful because quantitative targets have been reached, even though key qualitative information may be lacking.

For example, if a project intended to improve a company's corporate governance practices, a completion report stating that the company implemented 9 of its 16 recommendations (versus a target of 5 recommendations implemented) would be insufficient to enable evaluators to assign a positive rating for the project's outcome, even though the quantitative target was apparently not only met but exceeded. To judge whether the company has substantially improved its practices (the intended objective), evaluators need to understand the nature of the recommendations implemented and how important they were. Not all recommendations have the same value, nor do all contribute in the same way to improving overall corporate governance; for example, the establishment of an internal audit function reporting to the board, rather than to the management, has a higher impact on overall corporate governance than the disclosure of corporate governance policies on the company's website. PCRs should include qualitative analysis of this type, or, alternatively, project teams should provide it at the time of IEG validation.

For qualitative information to be useful, it must, however, meet minimum quality requirements. For instance, a common question from operational teams is whether client feedback and self-reported data suffice as evidence. IEG accepts client feedback as proof that IFC's recommendations were implemented, but the feedback must be specific, describing in detail the changes adopted (that is, outcomes), ideally supported by evidence (for example, a copy of internal procedures changed, the setting up of new units, and staff training). Evidence provided by clients might not always be of high quality or comprehensive. Clients sometimes provide only

a general statement that “most changes have been implemented.” In such cases, evaluators require more specific evidence. For example, for a project supporting the adoption of energy efficiency measures among private companies, on the evaluator’s request, the project team provided evidence of companies’ investments in energy efficiency machinery that included invoices, installation reports, and technical audits.

Well-structured survey tools are crucial for ensuring reliable client-reported outcomes. When IFC uses client surveys or feedback forms (common when a project is providing advice to a group of clients), evaluators consider the quality of the survey or feedback tool to help determine the reliability of claims. For example, a questionnaire should not include leading questions (such as “Because of the project, what changes has your company introduced?”); instead, open-ended questions (such as “Can you describe changes, if any, that occurred during or after the project, and what may have influenced them?”) provide objective information that has greater reliability for evaluation purposes. In addition, IFC verification of clients’ self-reported changes (that is, project outcomes) is ideal, and project teams perform such verification in selective cases, but it is not common.

The use of standard quantitative indicators, rather than indicators customized to a particular project, may also limit the quality and availability of evidence for validation. Although IFC develops standard results frameworks with indicators for its main advisory services products and services, in some instances, these indicators may lack the specificity needed to fully capture a project’s intended outcomes and impacts. In addition, projects may use standard indicators that are not relevant for evaluation purposes. For example, projects supporting the institutional development of credit bureaus usually include indicators such as the number of inquiries received and the number of financial institutions participating. While useful in most instances, these indicators are not relevant for projects in which improving data quality, either by enhancing the quality of data submitted by institutions that report to the bureaus or by building the data management capabilities of the bureaus themselves, is the key project objective. For evaluation purposes, projects of this type should include indicators that pick up data quality on top of the standard indicators, such as the number of lender complaints, the number of files submitted by lenders but rejected by the credit bureaus, and hit ratios (the percentage of applications that result in a credit report being found in the credit database and used to assess creditworthiness). The absence of relevant indicators from standard reporting does not necessarily mean IFC has not been tracking them.

Although IFC projects collect a substantial amount of information during project implementation, PCRs tend to report only a few selected standard indicators. Hence, it is common to find that more relevant indicators are available and that data

regarding them have been routinely gathered through mandatory client reports. Even in cases in which needed information was not collected during project implementation, project teams might be able to reach out to clients during the validation process and obtain it. IEG's validation is not constrained to the indicators selected by project teams; rather, IEG considers all qualitative and quantitative information available internally and externally if that information is aligned with a project's causal chain.

Triangulation of information is key to addressing gaps in evidence and obtaining a comprehensive view of project results. Triangulation relies on secondary data, obtained from internal (that is, Bank Group) or external sources. IEG commonly relies on internal information to fill in any gaps in the evidence or to verify project data. IFC investment documentation is particularly useful for evaluation purposes when advisory services are delivered to an IFC client, thanks to the significant amount of operational; financial; and environmental, social, and governance information collected and the long-term nature of the investment engagement, which facilitates access to postcompletion information.

IFC's environmental and social experts review and assess the environmental, social, and governance performance of investment clients (possibly making field visits to do so), and IEG uses their reports to establish whether clients indeed implemented environmental, social, and governance improvements recommended by advisory services projects. For example, in East Asia, IFC provided advisory services to a company preparing to issue social bonds, which required a sound environmental, social, and governance system to be in place. Thanks to the project, the company developed an integrated system for managing environmental and social risks and impacts that enabled it to monitor the proceeds of the bonds it issued. IEG used gathered data on the bonds from IFC's yearly environmental and social supervision reports as evidence (internal IFC document). Similarly, World Bank project documents, diagnostic reports, or analytical reports might include results of IFC's advisory services activities, particularly those related to the investment climate or the business environment.

Beyond information available within Bank Group documents, IEG routinely uses secondary data from external sources such as companies' or government websites, companies' annual reports, news or articles discussing changes in legal and regulatory frameworks, and reports from rating agencies (in the case of financial institutions). Evaluators should not find any discrepancies among these pieces of information regarding results or timelines of events, and if they do, IEG seeks clarification from project teams. For example, a project that trained a local partner in conducting a certain type of certification in the local market reported as an achievement the number of certifications conducted and number of active certifiers. However, these

numbers did not match the information in the local partner's annual reports posted on its website, which showed what appeared to be declining certification activity. IFC teams reached out to the local partner, which clarified the discrepancy and provided detailed reports of its activities confirming the achievement.

To keep projects from taking credit for any observed outcome or impact regardless of whether it can legitimately be attributed to the project's intervention, evaluators conduct contribution analysis. This involves taking a close look at project outputs and how they might have enabled project outcomes. This, in turn, requires a clear theory of change, but determining the nature of outputs or activities (types, quality, and recipients of outputs and timeline of delivery) and their links to reported or intended outcomes is a crucial step, and an evaluator might spend a significant amount of time on it. For example, claims that workshops and training delivered by a project raised awareness (and triggered subsequent adoption) of energy-efficient measures among private sector companies may be weakened if, on close review, the list of project trainees includes mostly officials from government and nongovernmental organizations.

Identification of externalities is another key step in contribution analysis. Identifying external factors that might have influenced a project's observed outcomes is a difficult task. Because validation is office based, an evaluator's knowledge is constrained within the boundaries of the information that has been collected through IFC's monitoring work, which is biased toward confirming the causal chain. This weakness can be mitigated through conversations with IFC teams, the use of secondary sources of evidence, and the engagement of consultants local to the project venue to collect evidence or external research.

However, to properly identify externalities, evaluators must either be knowledgeable enough regarding the subject or sector of the project they are evaluating or have experience evaluating previous similar interventions. It is in these instances that IEG peer reviewers add the most value based on their specialization by sector and years of experience in the function. For example, a project might claim that the project intervention generated a substantial increase in a client bank's portfolio of small and medium enterprises (SMEs), when in reality directives introduced by the governing central bank, or money or technical assistance provided by other donors or investors, rather than IFC's support, might have triggered the improvement. This is particularly true if advisory services support was limited to diagnostic assessments or light-touch training (such as short workshops with broad subjects).

Although all the issues just discussed regarding evidence apply to assessment of both outcomes and impacts, data and evidence on impacts present some particularities worth mentioning. As noted earlier, for most projects, evidence on impacts

may not be available on project completion. Unlike outcomes, which must typically be observed within a project's lifespan, impacts involve longer-term effects on stakeholders and may require extended time to materialize. This can make them difficult to capture at project closure. The fact that IEG validation usually occurs several months or up to a year after the PCR has been prepared partly mitigates this challenge. The lag between report completion and validation provides extra time for projects to show emerging impacts. In the best-case scenario, IFC has collected information since project completion (a possibility IFC's system allows) through monitoring reports or by commissioning an external evaluation. For example, IFC conducted ad hoc reviews of impact achievement in a group of projects involving public-private partnerships (privatization of highways, power sectors, and the like) years after their completion. It hired a consultant, who traveled to the project sites, verified whether the expected improvements in services had materialized, and collected relevant metrics. IEG used the consultant's report to assess impact for a few of these projects selected for validation. If evidence of this kind is not collected, then IEG usually asks IFC teams to reach out directly to clients to request information on impacts.

Because of the long-term nature of the engagement with investment clients, IFC investment documentation can also provide information on impacts, especially those related to the financial performance of a client. For example, for a financial institution that received IFC banking advice regarding SMEs, IEG can check whether the bank subsequently showed strong growth and financial performance of its SME portfolio (profitability, quality of loans, business involving SMEs, and so on). Additionally, if IFC continued to work with the client in follow-on advisory services projects, those follow-up projects' diagnostics and assessments could provide useful information on the original project's impact on the client or market. Such was the case of an IFC project aimed to promote construction of resource-efficient buildings in a client country by introducing cost-effective green building certification into the market. When the project was completed, no information on market impacts was available. However, by the time IEG validated the PCR, IFC had launched a follow-on project in that same country that included a market study that provided data on the status of the market for green buildings (internal IFC document). The study confirmed that the market players had adopted the IFC-promoted green certification.

Yet given the limited information on impacts collected at the operational level, the desk-based nature of IEG validations restricts evaluators' ability to assess impacts beyond project clients (refer to box 3.1). Broader effects on beneficiaries and the market are difficult to capture if operations have not collected the information through ad hoc monitoring or evaluation work. Expanding evaluation methodologies to include direct engagement with stakeholders and field assessments could enhance the credibility and completeness of impact assessments. As part of the management

and evaluation of some projects, IFC has commissioned external evaluations of impacts. For example, one IFC client wanted to increase overall performance and sales among retailers. The intended impacts were that farmers would increase their net incomes by using more effective crop protection and retailers would increase their sales and loyalty payments (financial incentives) to the farmers. An IFC-commissioned study of the project's impact by a research institution compared the change in retailer sales and profits and farmer perceptions before and after the intervention and with those in a control group (internal IFC document). In addition, in selected cases, IEG conducts project evaluations to complement its validations of PCRs and to delve deeper into impact trajectories and tackles longer-term issues and broader effects in its Country Program Evaluations and thematic evaluations.

Similarly, advisory services projects often operationalize impact narrowly, reducing it to achievement of a couple of quantitative indicators. However, this is often insufficient to provide a comprehensive understanding of projects' broader and deeper effects across different levels. For example, an IFC project provided a country with firm-, regulatory-, and market-level support that aimed to encourage private sector development through improved performance and increased access to finance among companies in the country (internal IFC document). The project team justified the positive impact ratings claimed in the PCR based solely on quantitative targets related to companies' performance at project closure. However, these indicators did not reflect the project's work in the regulatory and market areas, which intended to enforce minimum standards for corporate governance that all players in the sector would adhere to. In addition to considering the quantitative targets, IEG investigated the extent to which local governments had enforced and provided guidance on adoption of corporate governance codes.

As noted, IEG validation is desk based and therefore relies primarily on project documentation, which presents two key limitations that evaluators must consider. First, with few exceptions, they have little or no direct interaction with the main recipients of advisory services outputs—that is, clients. Although, in a few cases, IEG evaluators have contacted clients or conducted field visits to gather stakeholder perspectives and deepen their understanding of a project's impact, such interactions remain limited. For example, IEG and IFC had different views on the development effectiveness of a project aimed at enhancing the competitiveness of the country's energy sector by promoting energy-efficient technologies through government regulatory work. To provide a fair assessment, the IEG team got directly in touch with two beneficiaries of the government reforms to understand the impact the project had on the markets in their country (internal IFC document). The information provided rich insights into the project's activities and confirmed IEG's view that despite

adoption of an important decree, there were weaknesses in enforcement of the regulations, preventing the project from achieving its intended impact.

Second, because of resource and data constraints in the validation process, evaluators focus on validating evidence that backs up observed and self-reported outcomes and impacts. Yet self-evaluations may not capture all relevant project effects, leading to a risk of omission bias (intended or unintended, positive or negative). In one case, an IEG team conducted validation of the completion report for a project designed to streamline trade facilitation services. Because of the project's complexity, IEG opted for stakeholder interviews and a field assessment. This field visit revealed that one of the project's key contributions—a new information technology system—not only faced significant challenges during its implementation but was also unable to handle the volume of trade transactions, disrupting the clearing of imports and exports. The client had therefore abandoned the system and reverted to its previous one (internal IFC document). This unintended effect, which materialized after project completion, would have been undetected without the field assessment.

4

BEYOND EFFECTIVENESS: CLARIFYING OBJECTIVES, FIXING WEAK THEORIES OF CHANGE, AND ASSESSING WORK QUALITY



Defining clear, accurate objectives



Reconstructing a project's theory of change



Distinguishing between project and team performance

Challenges Related to Statements of Objectives

The methodology IFC uses to evaluate advisory services projects assesses achievements against predefined objectives and goals. Therefore, the clarity and accuracy of the objectives in project approval documents are crucial for effective validation of PCRs. The rating guidelines for PCRs establish that the statement of a project's development objective sets the purpose toward which an intervention is directed based on the identified problem, market failure, or opportunity that the project intends to address. A statement of objectives must include the changes the project is expected to generate (that is, an outcome-level objective) and the expected effects of those changes (that is, an impact-level objective) and be accompanied by specific indicators, baselines, and targets. Box 4.1 illustrates a clearly stated objective, one that describes the overall aim of the project alongside specific objectives; defines specific, measurable, achievable, results-oriented, and time-bound (SMART) metrics at the outcome level; and finally includes the effects of outcomes or the level of impacts.

Box 4.1. Example of a Clear Statement of Objectives

Project objective: To support a provider of digital finance services in increasing its active base of mobile customers (outcome level) through improving its strategy for client acquisition, strengthening the structures of its existing network of agents (outcome level), and launching a new merchant proposition (outcome level)

Specific, measurable, achievable, results-oriented, and time-bound (SMART) objectives—or the **key metrics** by completion:

- » Increase the base of active users from 1.9 million (baseline) to 3 million (target)
- » Increase the base of agents from 13,300 to 20,000
- » Increase the base of merchants from 360 to 1,660
- » Launch one financial product

Impact-level objective: To enhance financial inclusion

Source: Internal International Finance Corporation document.

IEG evaluators sometimes encounter statements of objectives that are unclear, are convoluted, or focus more on outputs or indicators than outcomes, making the basis for evaluation unclear. Box 4.2 illustrates a problematic objective statement in which the outcome-level objective does not accurately reflect the overall aim of the

project; the indicators are standard ones and focus mainly on the delivery of outputs and early outcomes, failing to reflect achievement of the project's development objective; and the impact-level objective is missing (the one appearing in the box was added by IEG).

In such cases, IEG evaluators, before assessing the project, must first clarify the objective further or reconstruct it based on the project's broad objective, gaps to be addressed (market failure), results chain, key performance indicators, and other information included in official project documents (such as the description of expected benefits and beneficiaries of the project, details of project components, and other elements of project design) and consultations with project teams (IFC 2020). In addition, the IFC and IEG teams must agree on the refined or reconstructed statement of the project's objective before the evaluation can proceed.

Box 4.2. Example of a Problematic Statement of Objectives

Project objective: To develop the managerial capacity of small and medium enterprises in the distribution chain of the client, a cell phone operator, by using International Finance Corporation training tools and methodology

Specific, measurable, achievable, results-oriented, and time-bound (SMART) indicators:

- » Number of trainers trained
- » Number of trainees trained by the new trainers
- » Trainers' satisfaction rates

Impact-level objective (reconstructed by the Independent Evaluation Group when the project was evaluated): To improve sales capacity and performance among trained distributors (outcomes), which would lead to increased company revenues and cell phone penetration rates in rural areas (impacts)

Source: Internal International Finance Corporation document.

Projects' objectives may be revised during the project life cycle, further complicating assessment of project performance. Such revisions may change evaluators' approach to validation compared with how they would have proceeded based on the original objectives. Project objectives may need to be adjusted in two instances. The first is new or updated information becoming available. Because of the nature of advisory services work, fully fleshed-out assessments (for example, client or market

assessments) that inform objective setting and project design might be conducted in the early stages of project implementation if the project budget permits. These assessments' findings might shed new light (for example, on the project's assumptions, understanding of the problem, and stakeholders' views) that might require adjusting the project's objectives and design to better reflect the actual situation. The second instance relates to changes in external factors, from natural disasters to changes in clients' priorities, that might also require a rethinking of the intervention.

In the past, the methodology for evaluating advisory services projects still held the project accountable for the original objectives in such cases, regardless of the circumstances, potentially creating a bias toward a negative rating and, most important, risking discouraging operational teams from applying adaptive management and supervision. To deal with this issue, IFC and IEG agreed on two solutions: introducing a grace period for making changes and giving teams the option to restructure projects. The grace period allows teams to adjust project objectives, scope, and design in the early stages of implementation. Changes to the objective, if made within the grace period (following the 25 percent threshold criteria),¹ are accepted as final and hence replace, for the purposes of evaluation, the original objectives set at approval.

Beyond the grace period, changes can be made through formal restructuring of the project, which triggers a special approach to evaluation, the “split rating” approach, in which project results are assessed against both the original and revised project objectives. The split rating weighs pre- and post-restructuring performance using the share of actual implementation expenditure before and after the restructuring, favoring project management that identifies issues and makes decisions early in the process. The split rating approach also aims to provide a disincentive for “lowering the bar” late in project implementation—that is, curtailing project ambitions to match achievement in the field rather than to account for changes in context.

Box 4.3 illustrates the original objectives in just such a case, in which a project's design changed significantly during implementation. The project was revised several times, dropping its main impact indicators (that is, loan recovery rates), removing work on the regulatory framework (component 1), and adding a new component, a revision of the bankruptcy draft law. The project also eliminated several activities, reducing the scope from a market-level intervention to a more focused approach that dealt only with financial institutions.

Box 4.3. Project with Changes to Statement of Objectives During Project Implementation

Project objective: To improve the efficiency and effectiveness of insolvency proceedings inside and outside the local court system

Original components:

- » Improve the regulatory framework for insolvency practitioners
- » Assist the local government in developing informal business guidelines for out-of-court workout

Impact-level objective: To increase loan recovery and decrease time and costs associated with insolvency and bankruptcy cases

Source: Internal International Finance Corporation document.

Depending on when these changes were made, the project's development effectiveness could be considered successful or unsuccessful:

- If the project made the changes within the grace period, the evaluation would hold the project accountable for the revised components and indicators, without considering the original ones.
- However, in this actual case, changes were made after the grace period, and therefore the split rating approach was applied. The project was still held partly accountable for the original objectives, though achievement of the revised objectives was also recognized. The project did not achieve its original objectives because it did not work with a regulatory framework for insolvency practitioners. However, the newly added component, which centered on bankruptcy law, achieved its objective. The project was restructured when the project's implementation expenditures were 40 percent of total implementation expenditures; therefore, based on the weighted approach, the final assessment was positive.

Another common challenge is that teams might not factor in the context of project implementation while setting project objectives. At the approval stage, a project's potential to generate development results is often presented in its best light, leading to overly optimistic objectives. The root cause is IFC's underestimating or underplaying well-known risks tied to country conditions (for example, political and social risks) or client conditions (for example, commitment, capacity, and resources) to get

the project approved by management or funded by donors. At the time of validation, IEG follows rating guidelines for PCRs and holds the project accountable for accomplishing its stated objectives. When it does so, IFC might claim that IEG did not consider the difficult environment in which the project was being implemented; in turn, IEG would argue that the level of ambition of projects' objectives set at approval should be commensurate with the risks. These differing perspectives often result in divergent opinions.

For example, a project to be implemented in a country that experiences political instability should set more modest objectives and targets than if it were being implemented in a politically stable country. Consider the case of an advisory project in an African country that aimed to reduce costs of the country's agricultural inspections by 15 percent, attract \$20 million in private agribusiness investment, create 400 jobs, and improve the country's tax administration (internal IFC document). The project fell short of achieving its goals, despite two extensions, a lengthy implementation period of six years, and a budget increase from \$2.5 million to \$5.4 million, because of a variety of challenges, including election disruptions, budget constraints, high staff turnover, low staff capacity, and a health crisis. The project team indicated that it took twice as much effort to deliver half as much in outcomes in the country where the project was implemented than in other countries. However, the original project objectives set and approved by IFC should have considered these potential limitations.

Challenges Related to Weak Theories of Change

To fairly assess a project's contribution to desired development outcomes, evaluators must first understand the logical steps required to achieve the outcomes, or in other words, the intervention's theory of change. A good theory of change illustrates both what a project aims to achieve and how it plans to do so within the specific project context.

Although IFC documents related to project approval include results frameworks, which reflect projects' causal chains by outlining key indicators regarding output, outcome, and impact with baselines and targets, some projects rely primarily on a few standard key performance indicators to establish a results chain. The resulting theories of change are weak or incomplete and fail to capture fully the rationale behind a project's interventions.

For example, an IFC project developed training to enable a client to improve capacity and performance among its distributors, aiming to ultimately increase rates of cell phone penetration in rural areas. The results chain presented in the approval document did not fully capture the project's rationale or the logical steps needed to

achieve its ultimate goal. To address these shortcomings, IEG evaluators thoroughly reviewed project approval documents, including details on market failures the project aimed to address, the project description, and IFC’s planned support. IEG identified project activities and outputs, defined expected outcomes based on these outputs, and assessed critical and underlying assumptions, revising the original theory of change as reflected in table 4.1. Considering the overall goal and type of training, IEG added new outcomes related to the enhancement of distributors and their staff’s skills and increased business performance of the distributors, which the project’s original theory of change did not reflect. IEG also included additional impacts—increased business performance of the client and continued performance of distributors—both results of outcomes identified. This revision strengthened the evaluation process, providing a clearer picture of the project’s impact and effectiveness.

Table 4.1. Theory of Change: Original and Revised by the Independent Evaluation Group

Output	Outcome	Impact
Number of trainers trained	Original IFC outcomes:	Original IFC impact, moved by IEG to outcome category:
	» Entities implementing recommended changes	» Increased customer acquisition and sales performance among distributors
Number of distributors trained	» Individuals trained by project-trained people or institutions	
	» Women trained by project-trained people or institutions	
	Outcomes added or revised by IEG:	Impacts added by IEG:
	» Enhanced distributor skills	» Business growth of the client
	» Enhanced staff communication and motivation among distributors	» Long-term sustaining of training effects among distributors after project completion
	» Increased customer acquisition and sales performance among distributors (IEG moved from original impact)	» Increase in telephone penetration rates in rural areas
	» Trainers training other companies or securing additional contracts	

Source: Internal International Finance Corporation document.

Note: IEG = Independent Evaluation Group; IFC = International Finance Corporation.

Assessing Work Quality

IFC's self-evaluation system includes ratings of work quality, which assess the extent to which IFC followed its prescribed operational procedures.² The rating guidelines for PCRs include detailed descriptions of categories of work quality that evaluators also consider during validation of PCRs. These categories include appropriate market or needs assessment, risk appraisal, project design, client commitment and involvement in project preparation and design, and timeliness and quality of output delivery.

Ratings of work quality enable projects' performance to be distinguished from teams' performance, reflecting the reality that a project may fail for reasons unrelated to the project team's performance. Assessment of work quality is quite appropriate, since advisory services projects are implemented in-house by an IFC team comprising a mix of staff members and consultants. In some cases, consulting firms are contracted to deliver advisory services, but they are actively managed and supervised by the IFC team. However, before IEG began rating work quality separately, IFC teams perceived projects' performance ratings as evaluations of team performance. In some cases, this led to disagreements and difficulty in reaching consensus with IEG during the project validation process. The separate assessment of work quality offers a constructive avenue to evaluate team performance independently of project outcomes.

A key challenge when assessing project work quality is the hindsight trap. Evaluators are expected to assess work quality considering the information available to the team at the time decisions were made and work was conducted. Evaluators must determine whether those decisions or actions were informed, that is, whether they were made taking into account all the information available at the time, as opposed to judging whether decisions were right or wrong considering later events and project results—information not available to the project team when it made its decisions. Evaluating whether decisions and actions were informed could include assessments of risks and their mitigants, with a full understanding of pros and cons and with adequate internal discussions at the right levels.

Assessments of work quality usually start with the assumption that IFC's work is in line with standards of good project management—namely, corresponding to a satisfactory rating according to rating guidelines. Any issues identified by the evaluators that point out potential shortcomings in work quality should be fully unpacked and considered with respect to whether the shortcomings resulted from faulty work quality (for example, inadequate client assessment) or from something IFC could not know or control at the time. In making such assessments, evaluators are cautioned against suggesting alternative courses of action that are not rooted in lessons learned from similar projects or best international practices.

To assess work quality, evaluators rely on evidence embedded in IFC’s internal systems, which generate and systematically record a significant amount of information on project management throughout implementation. Biannual supervision reports, comments from approvers, internal memorandums, back-to-office reports, midterm evaluations, and similar documents usually provide a good picture of how a project was designed and managed. Internal governance of advisory services projects also provides benchmarks for comparison.

Endnotes

- 1 The grace period ends when both 25 percent of the project’s original implementation timeline has elapsed and 25 percent of its original implementation budget has been spent. If either less than 25 percent of the project’s original implementation timeline has elapsed or less than 25 percent of its original implementation budget has been spent, the grace period is still considered to be in effect.
- 2 As noted in Figure 2.2, IFC project teams are not required to rate this dimension. While the self-evaluation framework includes work quality, project teams provide only a narrative but do not rate their own work quality. This aspect is rated exclusively by IEG.

CONCLUSION

International finance institutions provide substantial support for capacity building, knowledge transfer, and technical assistance, with advisory services becoming an increasingly important part of their work. Recently, the World Bank, IFC, and the Multilateral Investment Guarantee Agency have taken steps to integrate their knowledge work under one unified framework, the Bank Group Knowledge Bank, reflecting the increasing significance of knowledge in the Bank Group's development work. As the Bank Group deepens its role as a Knowledge Bank, understanding whether, how, and under what circumstances knowledge-based activities produce results and impacts becomes increasingly critical. This, in turn, requires being able to systematically evaluate knowledge interventions—a task made difficult by the often intangible or hard-to-measure outcomes that these interventions pursue.

This paper has reflected on the methodological challenges of evaluating advisory services projects. It draws on more than 15 years of organizational learning from IFC's structured self-evaluation approach and IEG's subsequent validation of advisory services effectiveness to highlight the evidence standards that must be met in the validation process, and the methodological solutions and approaches that have enabled IEG to systematically validate these projects. While these challenges may not be entirely overcome, their effects can be mitigated and divergences in interpretation minimized through several analytical strategies that support inference about these hard-to-measure outcomes. This includes strengthening evidence collection and triangulation, conducting field-based evaluations for deeper impact analysis, refining project objectives and theories of change, and leveraging Country Program Evaluations and thematic studies to address longer-term and broader effects. Engaging independent reviewers with sector-specific expertise and clearly distinguishing between project and team performance further enhance the credibility and robustness of evaluations.

In many respects, these strategies parallel and embed principles fundamental to theory-based case-based approaches, such as process tracing, which are recognized as having a comparative advantage in their “ability to assess interventions that do not lend themselves to quantification or experimentation” (Beach and Raimondo 2025, 33), including knowledge work. Process tracing and other theory-based evaluation approaches, such as contribution analysis, typically rely on more intensive primary data collection than is possible within the self-evaluation and validation process. Nevertheless, the approach described in this paper allows

leveraging key theory-based evaluation principles like some primary data collection guided by reconstructed theories of change, trying to capture the fingerprints left by an intervention on observed change process, and weighting the strength of evidence. This allows IEG to put forth a systematic approach that can provide evidence to causally link interventions and outcomes, and speak to the mechanisms underlying these processes, within the constraints of what is primarily a desk-based exercise.

Even when outcomes are intangible and difficult to measure directly, a key takeaway from IEG's experience is that evaluators can meaningfully go beyond assessing project ratings to generate insights into the drivers of success or failure, work quality challenges, and lessons learned. These insights inform the design and implementation of future interventions, enhance internal management reporting, and contribute to thematic and corporate evaluations. Ultimately, the goal is to foster organizational learning and continuous improvement.

Another key takeaway from IEG's practice is that, while establishing a comprehensive evaluation framework is necessary, the undertaking of institutional arrangements to build an evaluation system around it and close collaboration between Operations and Independent Evaluation to maintain and update the framework and system are equally critical. Embedding self-evaluation as a core component of the project's operational cycle ensures that assessment is not an afterthought but an integral part of operational culture. A robust evaluation system is underpinned by clear policies, guidelines, training, information technology platforms, and dedicated resources. Evaluation extends beyond a single report, encompassing a suite of practices and governance structures, including oversight by a central unit and support from management and monitoring and evaluation officers. Sustained collaboration between operational teams and independent evaluators is essential for credibility and adaptability. This partnership enables the system to evolve in response to changes in advisory services, with regular updates to methodologies.

By implementing these measures, organizations can build a more effective, transparent, and adaptive evaluation system for advisory services, ultimately driving better outcomes and organizational learning.

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