

Foreword

IFC has been undergoing transformation of both its investment and advisory services operations in recent years. In particular, a sharp growth in its Advisory Services (AS) is changing the nature of the organization. IFC now has more staff in the field for AS than for Investment Services (IS), its traditional core business.

Independent Evaluation of IFC's Development Results 2009 takes stock of the development performance of IFC's investment operations, and examines, for the first time, the development effectiveness of its AS—thus offering the first holistic review of IFC's development results. On IS, the report finds that 72 percent of operations reaching early operating maturity between 2006 and 2008 met or exceeded their financial, economic, environmental, and social benchmarks, and made contributions to private sector development beyond just the project. This is a significant improvement over the 63 percent achieved between 2005 and 2007. Meanwhile, 70 percent of AS operations reviewed between 2006 and 2008 achieved high development effectiveness ratings. But these development results do not yet reflect the sharp deterioration in global economic conditions, which has just now begun to affect the economic environment in most developing countries.

Experience suggests there are considerable risks to development results but crises can also offer new opportunities that need to be grasped. Projects approved in the years prior to a crisis were about 15 percent less likely to achieve good results than otherwise. In the wake of past crises, investing was likely to lead to better results. But measures to protect the portfolio have tended to crowd out the proactive pursuit of new opportunities to broaden


impact. This will need to change in IFC's response to the current crisis, so that the tension between protecting the portfolio and responding to opportunities can be effectively managed.

The risks and opportunities brought on by the current crisis extend to AS as well. The crisis exposes gaps in sustainable business practices and business regulation globally, thus offering IFC an opportunity for greater impact in these areas. But in order to do so, bold actions are needed. IFC's AS activities—fueled by donor money and IFC's own funding—have grown in a largely unchecked manner, raising concerns about the long-run sustainability of the current business model. Recent measures are intended to initiate a broad AS institutional realignment aimed at tackling these challenges.

The monitoring and evaluation (M&E) system for AS was only introduced in 2006. Nonetheless, it is possible to discern several patterns in performance. First, project development effectiveness has been strongest in Southern Europe and Central Asia, and weakest in Latin America and the Caribbean. Second, results were significantly better for infrastructure, business enabling environment, and corporate advice operations, and weaker in the case of environmental and social sustainability operations—a particular concern in Africa and for IFC's work with financial

institutions. Third, key drivers of performance appear to be: country conditions and client commitment; local presence and ownership; programmatic approaches, as opposed to one-off interventions; and the quality of IFC additionality and M&E. In this context, effective pricing of AS is fundamental because it should provide incentives to improve all aspects of the AS business.

To enhance its development effectiveness and additionality (unique role and contribution), IFC should formulate an overall strategy for its advisory services, addressing the need for a clear vision and business framework. At the same time, it must pursue more programmatic AS interventions, improve execution of the AS pricing policy, and strengthen AS performance measurement.



Vinod Thomas
Director-General
Evaluation