



Conclusions and Recommendations

Overall, PEP-ECA has been largely successful with respect to achieving its objectives of contributing to improved investment climates and promoting private investments; however, (a) some program-level issues and deficiencies in the PEP-ECA organizational structure limited PEP-ECA's potential effectiveness and (b) some product lines had low success rates.

Although IFC might benefit from replicating certain aspects of the PEP model, IEG does not recommend its wholesale transfer to other regions:

- Appropriate balance between replication of core products and their sufficient adaptation to different country contexts is essential.
- Product specialization requires reliable access to expertise for both project management and for tapping short-term needs of best practice in specialized areas.
- The funding mechanism is not entirely compatible with long-term IFC and PEP-ECA objectives.
- Straight replication of a standard product model is not likely to work effectively; adaptation of core product business lines to country conditions can reap greater results.
- Public relations and broad dissemination make up an important complementary component to promoting reform agenda and training/capacity-building efforts.
- Effective exit strategies and incorporation of pricing of services can help ensure sustainable development outcomes and impacts after project closure and support local market development of related Advisory Services.
- Sound M&E objectives and targets enhance team focus on implementation and achievement of results.

Lessons learned from PEP-ECA projects also provide useful insights on the importance of adapting project models to fit country-specific conditions, leverage the expertise of other World Bank Group units, and more thoughtfully consider M&E objectives and indicators. Appendix F summarizes generic and product line-specific lessons learned from PEP-ECA projects with implications for other IFC Advisory Services. Some key generic lessons include the following:

Recommendations

1. IFC would benefit from replicating selected features of the PEP model, but wholesale transfer to another region is not recommended. Shortcomings in the organizational structure

should be addressed, and some product lines should be revisited.

PEP-ECA's management structure, core product line specialization, focus on developing replicable projects, reliance on a dedicated team of mostly local staff for project implementation, project-level emphasis on achieving targeted expected outcomes, and long-term project life (two to five years) all helped achieve program objectives. Yet deficiencies exist in the PEP-ECA structure that should be addressed and, despite small numbers of projects, some product lines had low success rates. The most challenging issue was PEP-ECA's funding mechanism. Although this bilateral donor-dependent funding mechanism promoted targeted, results-focused interventions, it also often constrained IFC's ability to be strategic and responsive to client and country needs, raised costs, and created delays. As PEP-ECA focused on specializing in core areas and required greater expertise, recruitment and retention of qualified staff also became a challenge. In addition, even though PEP-ECA's M&E system is among IFC's most advanced in the area of Advisory Services, reliable measurement of results was difficult due to weak indicators and incomplete data collection and expenditure tracking. Consideration should be given to the following:

1.1 Designing a more cost-effective Advisory Services funding mechanism to meet strategic objectives, improve client responsiveness, and enhance development results.

Advisory Services funding mechanisms should be designed to enable strategic and sequential project planning and limit burdensome transaction costs, delays, and constraints or special conditions imposed by bilateral project funding. Appropriate balance should be achieved between development of core products and their country adaptations. As such, IFC should ensure that sufficient funding is allocated for project identification, development, and preparation, so that projects are ready (country adjusted) for implementation when funding is sought. Funding incentives should also be improved to facilitate project experimentation

based on country needs. Where possible, pooled or hybrid funding models should be encouraged, which offer quicker access to project funding, while placing fewer constraints on project scope, design, and staffing. Going forward, IFC should be more proactive at engaging donors and educating them about recipient countries and IFC strategic priorities, and learning about their long-term goals or preferences.

1.2 Carefully considering staffing needs for Advisory Services and adopting human resource policies that address recruitment and retention requirements and facilitate access to much-needed short-term global expertise.

To do this, IFC should consider creating a cadre of project managers. For accessing short-term international expertise where product lines require, IFC may consider forming a pool of Advisory Services experts in core areas, which would include IFC and World Bank specialists and external consultants to help project teams address needs in a timely and effective way. IFC should also review training and capacity-building requirements of Advisory Services staff, and develop focused training policy to support its Advisory Services staffing strategy more effectively. Given IFC's decentralization process, field-based knowledge should be developed with the help of experts in the field. Improving staff skills and experience, retaining global knowledge, and leveraging central units of expertise (e.g., SME, private sector development, and industry departments) should be key. Specialized training, staff exchange programs, and regular meetings intended to share good practices and lessons learned should be routine. Within different business line areas, different staff might be flagged according to expertise and then tapped in a more systematic way into a broader, more formal knowledge-sharing effort. Sufficient resources should be allocated to ensure knowledge sharing and ongoing best practice learning in a more systematic way.

1.3 Eliminating or redesigning projects that have not been effective, as is true in

many traditional PEP-ECA linkages projects, and doing more of those that have achieved positive results.

Projects with questionable and/or weak strategic relevance or marginal IFC role and contribution should not be pursued. In redefining linkages interventions, PEP-ECA should collaborate with the SME Department to tap its knowledge and explore experiences from around IFC. Although PEP-ECA has already discontinued direct SME development projects, indirect SME development projects should include more rigorous methods for capturing and measuring the impact on SMEs.

1.4 Improving the quality of M&E indicators, data collection methods, and cost accounting.

Project-specific M&E targets should be tailored to country situations and conditions as part of project preparation, verified as part of the project approval system, and monitored during project implementation. More rigorous survey techniques and data collection methods should be developed to establish baselines and enable comparisons across time and across countries where possible. The proper utilization of the indicators and techniques should be closely monitored to derive lessons and ensure data quality. A more comprehensive expenditure accounting and tracking mechanism should be introduced, which would not only enhance M&E, but provide a useful project management tool for benchmarking costs of different activities and developing Advisory Services pricing and client contribution strategies. This would also provide data for analysis of benefits and efficiency of the programs and their components.

2. IFC should leverage Advisory Services and investment tools strategically and systematically in a complementary fashion to address long-term country development needs.

IFC has been implementing various initiatives since 2005 to take a strategic approach to developing and delivering Advisory Services. This

includes measures to develop principles and operating guidelines, improve funding processes, meet human resource needs, measure and monitor impacts, and more, as described in box 2.1 and throughout this report. Because this report is limited to PEP-ECA's experience and does not cover other Advisory Services, it offers recommendations for management in addition to existing or forthcoming recommendations from relevant working groups, studies, and reviews on Advisory Services. Given the various initiatives and committees focusing on World Bank coordination, this report does not offer a separate recommendation on improving coordination. This report's findings and conclusions support ongoing initiatives and recommendations made elsewhere. Consideration should be given to the following:

2.1 Developing and implementing a cohesive and complementary Advisory Services and investment strategy based on each country's development needs.

This greater institutional and strategic cohesion should be achieved through (a) developing and implementing a cohesive country strategy, where relevant, in which Advisory Services and investments are complementary tools (either Advisory Services projects alone or integrated with IFC investments) for achieving long-term country and sector development objectives, (b) ensuring interaction of Advisory Services and investment staff and leveraging expertise at the operational level for cross-fertilization on projects and sector initiatives, and (c) promoting coordination with the rest of the World Bank Group, where relevant, by formally identifying opportunities for collaborative initiatives as they may arise.

2.2 Within each specific country context, exploring how each core area Advisory Services intervention can be structured to maximize impact, leveraging IFC investment objectives and synergies where relevant and possible.

Experimental projects should also be developed according to specific country needs and IFC

strategic priorities, and should incorporate the basic successful features and core components of the standard PEP model as appropriate (i.e., reform, training and capacity building, and broad dissemination).

3. IFC should formalize more detailed and specific pricing and subsidy guidelines for Advisory Services to assess the full cost of intervention and provide subsidies on a selective and justified basis.

PEP-ECA's lack of emphasis on pricing strategy resulted in inconsistent application and collection of client fees. Although lack of client contribution for public good Advisory Services may have been justified, this rationale was not entirely appropriate with respect to private goods or services provided to firms, including capacity building and consulting. IEG project evaluations found evidence of a growing willingness to pay for these services among the clients surveyed and interviewed. Ultimately, lack of client contribution, either cash or in kind, or subsidized Advisory Services deprived project management of valuable client feedback on the relevance of and demand for specific Advisory Services components, which then affected results and lessons learned for future projects.

The most recent announcement of IFC Advisory Services pricing policy and principles made strides, but more work is needed to develop practical, clear, and useful guidelines for operational staff in each product area for effective implementation. To this end, IFC should consider:

3.1 Further developing the recently issued general pricing policy and principles to provide practical and clear guidelines and directions for appropriate assessment of subsidy justification and target ranges of pricing for different types of in-

terventions with examples and hands-on training.

The use of a subsidy or partial subsidy may be justified in some cases, for example, for general policy reform advice that will contribute to the public good or when using Advisory Services to induce a client to undertake developmental activities it would not do otherwise (for example, a commercial bank entering the SME market). Charging fees to clients can help develop local markets for services, support project sustainability, create options for project exit strategies, and reinforce client commitment. Careful consideration should also be given to nondisplacement policy issues or market distortions, which are necessary components for developing sustainable services. Yet task managers require more guidance on justification of a subsidy in the market, as well as how to price different types of Advisory Services, than is contained in the new policy. IFC should equip operational staff with practical tools needed for effective implementation of the new principles, including possible pricing ranges based on local market conditions, yet not lock staff into rigid corporatewide imposed pricing plans. This would also strengthen the strategic relevance dimension of IFC's self-evaluation project completion reports, which IEG will validate. This dimension requires assessment of the appropriateness of each project's planned and actual cost recovery; yet without sufficient guidance on the appropriateness of cost recovery, task managers are not able to assess this dimension adequately.

3.2 Accounting for the full cost of designing, implementing, and supervising the Advisory Services intervention, including IFC's overhead and administration costs.

This will derive the entire cost of the Advisory Services intervention and enable more thorough assessment of the effectiveness of the Advisory Services intervention, and adequate comparison among various projects and programs.