



Foreword

This evaluation assesses the performance of the IFC Private Enterprise Partnership (PEP), an Advisory Services program established in 2000 in countries of the Eastern Europe and Central Asia (ECA) region belonging to the Commonwealth of Independent States (CIS) to improve investment climates, promote private investment, and facilitate more rapid growth and development of small and medium enterprises.

IEG selected this program for evaluation to promote accountability and derive lessons to guide future IFC Advisory Services worldwide. IEG was also motivated by the fact that other regional advisory facilities had been emulating many PEP features before an independent assessment of the program had been done.

As part of its strategic focus on frontier countries adopted in 1998, IFC began increasing its provision of Advisory Services to facilitate private sector investment. Within this context, a challenging business environment and low levels of foreign direct investment and private sector participation made CIS countries good candidates for expansion of IFC Advisory Services as a bridge to improved investment opportunity. Thus, IFC established PEP-ECA in May 2000, consolidating its large existing advisory program in the CIS. Cumulative donor and IFC combined commitments to PEP-ECA had reached a total of \$144 million through March 2007, since its creation. This eval-

uation includes all mature projects completed by the end of 2005.

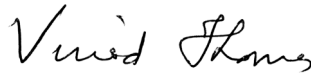
The evaluation finds that the PEP-ECA program was largely successful; almost two-thirds of projects achieved successful development effectiveness results. Output delivery and outcome achievements were strong, while impact achievements were lower, reflecting that results took time, relied on many external factors, or were generally more difficult to achieve and assess. PEP-ECA's management structure, core product line specialization, focus on developing replicable projects, reliance on local staff, strong project implementation and emphasis on achieving target expected outcomes, and long-term project life all helped achieve objectives.

Certain deficiencies, however, limited the program's potential effectiveness. The design of the funding mechanism often constrained PEP-ECA's ability to be strategic and responsive to client and

country needs, created delays, and raised costs. Project preparation did not always include sufficient needs assessments and adequate tailoring to specific country development conditions. Efforts to integrate Advisory Services with IFC investment and coordinate across the World Bank Group varied in their degree of success, not always achieving synergies and desired results. PEP-ECA's approach to pricing Advisory Services was insufficient, and its results measurement and evaluation system had some shortcomings.

This report recommends that IFC should replicate only selective features of the PEP model.

A wholesale transfer to other regions without addressing the observed weaknesses is not recommended; for instance, shortcomings in the organizational structure should be addressed and some product lines revisited. Also, IFC should strategically leverage Advisory Services and investment tools in a complementary fashion to tackle long-term country development needs. Finally, building on a recent pricing policy, IFC should formalize more detailed and practical pricing and subsidy guidelines for Advisory Services staff to assess the full cost of interventions and provide subsidies on a selective and justified basis.



Vinod Thomas
Director-General
Evaluation