Executive Summary of Evaluation

<table>
<thead>
<tr>
<th>Name of Evaluation</th>
<th>Mekong Private Sector Development Facility (MPDF) Phase 3 – End of Facility Review</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date of Final Report of Evaluation</td>
<td>December 2013</td>
</tr>
<tr>
<td>Author of Final Report of Evaluation</td>
<td>Adam Smith International</td>
</tr>
<tr>
<td>Date of this Executive Summary</td>
<td>December 2013</td>
</tr>
<tr>
<td>Author of this Executive Summary</td>
<td>Adam Smith International</td>
</tr>
<tr>
<td>Number of pages of this Executive Summary</td>
<td>14</td>
</tr>
<tr>
<td>Modifications from original Executive Summary</td>
<td>Without Modification</td>
</tr>
<tr>
<td>Executive Summary Approved for public disclosure by (name) on (date)</td>
<td>Anna Hidalgo, IFC-ECRIO, <a href="mailto:Ahidalgo@WorldBankGroup.org">Ahidalgo@WorldBankGroup.org</a></td>
</tr>
</tbody>
</table>

Background

The third Mekong Private Sector Development Facility (MPDF3) commenced in January 2008 with a budget of US$53 million provided by six donor partners and the IFC. A Mekong Private Sector Development Facility has been in place since 1997, serving as a trust fund for the IFC’s advisory services program in Cambodia, Lao PDR and Vietnam. The broad objective of MPDF is to contribute to sustainable growth and poverty reduction in the three countries by supporting the development of the private sector. MPDF3 financing has supported 72 projects or project designs. The majority of these projects focused on strengthening financial institutions and providing greater access to finance. The projects were arranged under four business lines as follows:

- **Access to Finance (A2F)** - projects under this business line aimed to support and increase access to financial services by focusing on payment systems and mobile banking, SME banking, secured transactions and credit bureaus, among other products (28 projects)
- **Investment Climate (IC)** - projects under this business line aimed to improve the business environment by focusing on investment policy, taxation, licensing and dispute resolution products (18 projects)
- **Sustainable Business Advisory (SBA)** – projects under this business line aimed to improve the sustainability of business practices, and focused in areas such as agriculture, environmental and social standards and corporate governance (22 projects)
- **Public Private Partnerships (PPP)** – projects under this business line focused on increasing private sector access to infrastructure, particularly in the water and energy sectors (4 projects).

The structure of the projects under each business line, and the number and type of beneficiaries, varied from project to project, but in all cases the bulk of IFC support focused on providing technical advice. The focus on technical advice sought to leverage the IFC’s unique understanding of private sector markets and the interface between the private and public sectors. The IFC’s management structure for MPDF3 was amended in 2009 when a ‘regionalization’ process re-designated responsibility for the Facility from Country Managers to the Head of Advisory Services for the East Asia and Pacific (EAP) Region. Alongside a human resource rationalization process at country level, regional specialists were appointed to provide product-specific expertise across different EAP locations.

Objectives
The objective of this End of Facility Review (EFR) is to evaluate the performance of MPDF3, and to determine the extent to which the recommendations arising from the Mid-Term Review (MTR) conducted in 2010 were implemented. The OECD-DAC criteria of relevance, effectiveness, efficiency, impact and sustainability, plus the IFC mandated criterion of additionality were used to assess this performance. The IFC also requested the evaluation team focus specifically on cross-cutting issues pertaining to poverty and gender and provide recommendations for future private sector development interventions noting the impending move from a facility-based financing approach to a program-based financing approach.

**Analysis**

**Approach and Methodology**

In order to assess performance a methodology was developed that focused on the management of the facility and the development benefits arising from its portfolio of projects. The assessment of management performance included the review of operational systems and processes and their ability to support the MPDF3’s requirements. The assessment of development results included the high-level appraisal of all 72 projects, a performance validation assessment of eight projects (the ‘+8’ projects comprising: Lao PDR Secured Transactions, Cambodia Rice Sector Support, Cambodia Better Factories/Garment Sector, Lao PDR Hydro Rural Electrification, Vietnam Vietinbank, Vietnam AnBinh Bank, Cambodia Mobile Phone Banking and Lao Licensing Reform), and the in-depth review of four project case-studies (Vietnam Capital Markets Development, Vietnam Secured Transactions, Lao Tax Simplification and Vietnam Corporate Governance).

The evaluation team conducted in-depth quantitative and qualitative analysis of the four case studies and the +8 projects assigning scores of between 1 and 4 across the evaluation criteria. The team adopted the same scoring mechanism used by the IFC for its own internal reporting. The evaluation team triangulated scores internally in order to calibrate findings across the portfolio. The relative scores where then analyzed to give a picture of performance over time, and within and across business lines and countries.

A number of methods were used to collect data on both management performance and development results including: the desk review of MPDF3 documents; interviews with 48 key informants in Hanoi, Ho Chi Minh City, Vientiane and Washington; and meetings with project staff, counterparts, clients and beneficiaries involved in the four case studies and the +8 projects.

**Relevance**

Relevance examines the extent to which an aid activity is suited to the priorities and policies of recipients. It typically includes an assessment of ongoing validity and consistency between activities/outputs and higher level objectives. Based on the in-depth review of the four case studies and +8 projects this evaluation concluded that, with a mean of 3.20/4, MPDF3 projects remained highly relevant to the priorities and policies of recipients. The scores assigned by the evaluation team aligned closely with the scores for relevance assigned by the IFC for 39 of its closed projects, which was 3.15/4.

An important component of relevance is the extent to which synergistic effects between projects are optimized. The evaluation found that that IFC staff are seeking to optimize the synergistic potential of projects, staff are sharing resources across the region, and there is a robust lessons capture and application system. Further,
country-based staff have a comprehensive understanding of country-level portfolios and are increasingly designing projects that build on, and leverage from, previous or simultaneous interventions. Synergies outside the IFC, such as those with other donors, have not been as optimally exploited and there is evidence that the IFC could do more to communicate its strategic objectives and activities to other actors. Harmonization and communication between donors can always be strengthened. There is evidence of strong synergy between the activities of the IFC and local agencies (implementing partners), this is underpinned by the strong understanding of local context and by the technical attributes IFC staff brings to projects.

At the business line level there has been some ongoing rationalization which has also improved relevance. For example, SBA projects have become more streamlined in line with recommendations from the MTR, the PPP business line approach was adjusted, and the IC portfolio has become more concentrated with interventions increasingly focusing on sub-national issues.

With regards to strategic relevance, the evaluation found that Cambodia, Lao PDR and Vietnam face ongoing challenges improving private sector performance and that MPDF3 was operating in areas that directly addressed many of these challenges. Each country is characterized by an, as yet incomplete transition to a market-based economy, and each lacks robust market-based institutions to varying degrees. While economic growth has been relatively strong in all countries, and human development has progressed apace, institutional performance in governance, accountability and doing business indicators suggests that more needs to be done to improve the enabling environment for private sector led growth. The importance of private sector-led growth is recognized in the development plans of all three countries and is a strong component of the World Bank’s strategies in each country. The MTR conducted in 2010 found that the activities of MPDF3 aligned strongly with the priorities articulated in each country’s national development plan at the time. The current evaluation found that MPDF3 remains relevant to these priorities and that the program has evolved to address new objectives such as green infrastructure and energy efficiency initiatives for example.

A good indicator of strategic relevance and ongoing validity is the contribution clients make to projects. The client cash contribution for MPDF3 amounted to 3 per cent of the total fund, and total quantifiable client contributions (including in parallel and in kind) allowed MPDF3 to extend its reach by 20 per cent. This suggests that MPDF3 activities were recognized as useful and relevant by clients. The IFC’s own $8m contribution to the Facility also confirms that the IFC itself judged MPDF3 to be an effective and relevant mechanism for private sector development in the region.

At the program level the evaluation found that the allocation of resources within the portfolio (by country and business line) was sensitive to ongoing changes in economic context and largely conformed to the aid allocation criteria determined at the commencement of the program, namely: relative poverty levels, availability of donor funding and probability of intervention success. Allocative efficiency based on these criteria improved between MPDF2 and 3 and this is a good indicator of improved aid effectiveness. The evolution in business line allocations was judged to have been partly driven by the effects of the global financial crisis. The higher than forecast allocations for access to financial services, and to support improvements in the policy and regulatory environment faced by firms aligned with national level responses to the Crisis. The Crisis adversely impacted upon Cambodia, Lao PDR and Vietnam through decreased export income and depressed domestic demand. MPDF3’s investment climate-focused projects became increasingly appropriate within this context. Similarly, across MPDF3 countries, many enterprises cited high borrowing costs as a key factor in shutting down or declaring bankruptcies, and therefore the IFC’s on-going emphasis on improving access to finance in the aftermath of the Crisis was also deemed appropriate.
Some projects where considered particularly relevant to the institutional weaknesses precluding private sector-led growth in the three countries. For example the Lao Tax Simplification Project (LTSP), which achieved a relevance score of 3.5/4, was found to be particularly relevant to the high level tax administration challenges faced by the Lao PDR government. The LTSP’s focus on improvements to the tax system supports the SME Development Strategy of Lao PDR, which focuses on strengthening the business enabling environment by streamlining market entry, improving business regulations and developing the commercial legal framework in which businesses operate. The project was also timely noting the deteriorating situation between 2005 and 2009 in relation to tax rates and tax administration in the country. There was clear demand from the Lao PDR government for support in this area, particularly the need for the SME sector to grow and generate government revenue through taxation.

Similarly the Vietnam Corporate Governance Project, which also achieved a score of 3.5/4, was found to be highly relevant to the specific challenges the Government of Vietnam faces with regards to corporate governance, as it seeks to improve the transparency and accountability of family-owned companies and State Owned Enterprises. The evaluation found that projects like these were addressing significant and complicated structural issues that, if addressed, could help improve the enabling environment for private sector-led growth.

As noted above the flexibility to change approaches and allocations depending on macro-economic shifts was an important feature of the relevance of MPDF3. During the continued transition to a programmatic approach, the IFC’s attention should focus on ensuring the current high-levels of country contextual understanding are not diminished, as this is one unique strength of the IFC’s approach. Maintaining awareness of country-level policy shifts and the activities of other donors is critical in this regard; as such the following recommendations are given regarding relevance going forward:

- Human Resource Management processes under the new financing model should remain sufficiently flexible to ensure that high-quality locally-contracted staff can be retained over the long term.
- Reporting processes should be strengthened to indicate more clearly where the IFC is working with other donor partners to implement a reform or within the same sector but separately to other donors.
- Consideration should be given to developing dialogue with the Foreign Direct Investment and trade sections of country embassies given their insights into the constraints of working with local businesses.

**Effectiveness**

Two measures of effectiveness were employed by this evaluation: an appraisal of the application of the IFC’s Development Effectiveness (DE) criteria, and the application of the OECD-DAC effectiveness measure. In both areas MPDF3 was performing well and had improved over the course of time. The DE rating is a composite indicator for completed projects that synthesizes strategic relevance, effectiveness (as measured by achieving objectives), IFC contribution and efficiency components. The achievement of objectives, in particular the achievement of key outcomes, is accorded the highest weighting in this indicator. During the project completion process the IFC scores each of its projects using a six point scale: from Highly Successful to Highly Unsuccessful. A positive DE rating includes the categories: Highly Successful, Successful or Mostly Successful. Scores along this scale are assigned for each project and aggregated to the regional level.

Overall, the MPDF3 portfolio demonstrated positive results with 67 per cent of closed projects receiving a positive DE rating. Of these 10.3 per cent were ‘Highly Successful’, 41 per cent were ‘Successful’ and 15.4 per cent were ‘Mostly Successful’. This exceeds the IFC corporate target of 65 per cent. DE ratings were very strong for projects in the IC business line, and performance was strongest in Cambodia.
In terms of output and outcome achievements against targets, the review of closed and open projects found that 54 of the 59 projects scored between 3 and 4 (from 4) for such achievements, with average portfolio performance of 3.39. The independent analysis conducted by the evaluation team of the four case studies and +8 projects found that 11 of the 12 projects achieved scores of between 3 and 4, which a mean score of 3.16, which is very close to the IFC reported scores. This, in part, corroborates the IFC’s own internal assessments and suggests that effectiveness was indeed satisfactory across the portfolio.

At the portfolio level therefore it is clear that MPDF3 closed projects performed well with DE scores above the IFC corporate target. Performance between business lines is variable however, with the A2F and IC business lines outperforming their SBA and PPP counterparts. The improvement in output and outcome achievement ratings for open projects suggests that project designs have improved over time and this has improved the overall effectiveness of the portfolio. The effectiveness distribution reflects what may be expected from venture capital funds with a large group of solidly performing projects flanked by a minority of underperforming and standout projects, however there are clearly more standouts than underperformers. It may well be the case that early project reviews and the thinning of projects with poor designs have contributed to an overall increase in end line effectiveness.

At the project level those interventions that scored the highest with regards to effectiveness were those that achieved good results in challenging environments. For example the Vietnam Capital Markets project achieved a score of 4/4 and was rated ‘excellent’. It garnered strong support from industry leaders, delivered high quality training on time and set demanding targets for itself, particularly considering the significant local constraints. Any determination of effectiveness needs to take into account this broader context. The Vietnam Capital Markets project managed to achieve strong results with a lack of government support and after the failure many other financial sector reform projects. The Vietnam Corporate Governance project also achieved some good results, but its lower score of 3 from 4 reflected its conservative target threshold, the uneven implementation of reforms, and the effect of political-economic issues on outcomes.

Overall MPDF3 activities were observed to be effectively implemented. In almost all cases output targets were exceeded. The improvement in effectiveness ratings for open projects suggests that project designs have improved over time and this has improved the overall effectiveness of the portfolio. Key recommendations include:

→ IFC management should remain cognizant of the risk that a ‘target culture’ - tying individual performance metrics with an award system - may perversely impact project delivery incentives.
→ Local conditions that are critical to project outcomes should be more explicitly countenanced in project designs and implementation timelines should be developed that are realistic within this context.
→ IFC management should encourage donors to become more closely involved in project design, M&E and knowledge acquisition processes.

Efficiency

Efficiency is a measure of the conversion of inputs to outputs and outcomes. It considers whether the resources available to a programme were used in the best possible way to maximize the likelihood of achieving strategic
objectives. An analysis of programme efficiency typically involves assessing the use of resources, the management processes followed, the timeliness of activities and the programme’s management and governance arrangements. On the management side, the efficiency analysis conducted as part of this evaluation included the review of the IFC’s project management processes, the suitability of human resource management arrangements (including staffing levels and HR processes), and project governance (including design, implementation and the handling of risk). The efficiency analysis also included a review of cost effectiveness and administrative efficiency in various areas.

At the portfolio management level it was clear that various management and administrative procedures had improved throughout the period of MPDF3 and these changes provided a sound base for ongoing efficient project delivery. Client contributions were significant and this was suggestive of effective project delivery. In terms of using resources economically, the limited benchmarking undertaken suggests that the IFC performs adequately vis-à-vis other development partners, and recent financial reporting changes should inspire confidence in donors in terms of tracking expenditure.

The evaluation team found risk identification processes to be sufficiently robust: project concept notes are required to identify key risks and possible mitigation strategies. That analysis is built upon in each subsequent project report and tracked over time. However, two recurrent themes of this evaluation relate to the relationship between assumptions and risks. Project teams generally distinguish risks as those closely aligned with external factors (general macroeconomic conditions for example), while the importance of understanding local conditions and practices (the legal, political or institutional environment) and the time taken to work through them are listed as assumptions in project design. The evaluation team recommends that local conditions need to be tracked continually during implementation in the same way that externally-oriented risks are.

Effective communication both internally and externally is a key enabler of efficient delivery. The evaluation found that efforts had been made to improve internal and external communication since the MTR in 2010. New management processes focusing on risk and strategy have been implemented within the IFC, and new donor engagement processes have strengthened communication with external stakeholders. The evaluation did find however that more could be done to engage with donors at the strategic level.

The review of the four case studies and +8 projects found that the efficiency of MPDF3 was satisfactory. The mean efficiency score across the 12 reviewed projects was 2.66/4, this correlated with the IFC’s own efficiency assessments of 39 closed projects which averaged 2.92/4. Of the 12 projects reviewed, five were rated as partly satisfactory, six were satisfactory and one was rated as excellent.

At the project level those interventions that had unsubstantiated budget increases and significant changes in human resource profiles where typically the most inefficient projects. For example the Vietnam Capital Markets project, which scored 2.5 from 4, had an acceptable cost-benefit ratio but the project did not demonstrate that resources had been used economically: the case for the level of financing and the way resources were allocated between local staff, nonresident experts, and consultants was not convincingly made. A large number of projects also experienced delays but this did not necessarily make them more inefficient, compared with more timely projects, if other aspects of management were strong. For example, the Lao Tax Simplification Project, which scored 3 from 4, suffered from delays but had a steady human resource profile, strong management arrangements and a consistent approach to program delivery, and together this meant that despite the delays the project was ranked as satisfactory overall and scored well above the average.
It was concluded that the move to a programmatic funding approach will encourage greater cost efficiency at the project level. Project teams are more likely to closely observe cost controls given the knowledge that funding for a program is allocated from a discrete donor allowance rather than from a pool. Further, project teams may consider it unlikely that they will receive approval for a budget increase or time extension when that approval is required to be given by an external donor. Closer donor involvement in project design, implementation and monitoring processes will also provide greater scrutiny on costs and management procedures. All this augurs well for ongoing efficiency. However there are a number of risks associated with the move to a programmatic approach that requires appropriate consideration given the possibility they could adversely impact on efficiency, for example:

→ Projects will likely be required to start without having complete funding in place. This obviously poses a risk to downstream implementation.
→ There is a risk that incentives could arise to minimize project design costs because they will likely be financed from IFC core funds. Similarly there may be motivation to design projects that are known to attract donor funding in order to avoid the risk of a ‘lost’ project design. Both possibilities would undo the solid improvements in pre-implementation scoping of recent years and may reduce the levels of project innovation.
→ Staff quality will likely be threatened if project contracts are of limited or uncertain duration.
→ Administration demands will likely increase as donors require individualized and more detailed reporting and increased management time will be spent pursuing funding.

Impact

Impact is a measure of the direct and indirect, intended and unintended results of a development intervention. The impact measurements used by the IFC for capturing MPDF3 results are quite diverse and closely linked to the particularities of each project. Over time some standardized indicators have been developed at the business line level but portfolio-level indicators do not exist against which results can be measured, as a consequence it is difficult to assess the overall impact of MPDF3 on private sector-led growth in Vietnam, Cambodia and Lao PDR.

However, there is some evidence that the accumulation of the IFC’s work in these countries is contributing to improvements in the enabling environment for private sector-led growth. In Vietnam, for example, the ‘paying taxes’ Ease of Doing Business Indicator (EDBI) improved 15 places since the MTR in 2010. The tax simplification project undertaken by the IFC may have contributed to this improvement. Vietnam also performs relatively well in indicators like ‘access to credit’, where it is in the top 40 countries in the world. Recent IFC work in this area over the last couple of years includes working with the credit bureau, the SME banking initiative, and the movable collateral registry. The ‘protecting investors’ indicator lost two places in 2013 compared to 2012, reflecting slow reform in corporate governance and highlighting the importance of the IFC’s work in this area.

Lao PDR has experienced some marginal improvements in the EDBI rankings, its 2013 ranking increased by three places compared to 2012. This was influenced considerably by the 12 place increase in ‘starting a business’, with Lao PDR now 88 in the world in this area. This positive change may have been influenced by the cumulative results of various IFC initiatives such as the work on tax simplification and investment law. Other improvements may be seen in the next report once the business licensing reforms take effect. However, Lao PDR continues to perform poorly with regards to credit access, declining a further two places to 167 in the world on this metric. This very poor performance suggests that the results of the A2F projects, particularly the credit bureau interventions, have yet to be realized. This area is of crucial importance and must be an on-going focus for the IFC and other donors.
In Cambodia, the work the IFC has done on bank advisory, credit bureau, microfinance and m-banking might have contributed to the jump in the ‘Getting Credit’ EBDI indicator ranking of 44 places, which is significant indeed. Cambodia is now ranked 53 in the world in this area, which is an excellent achievement considering its generally low position on the index overall. This positive result could be also be a reflection of the work the IFC and other donors are doing on agricultural value-chain projects, with more beneficiaries expanding their operations and sourcing credit.

At the project level the evaluation team reviewed impact ratings for each open and closed project to assess impact across countries and business lines. The mean score for impact was 2.7/4. The lowest impact ratings were observed in the PPP business line (1.5) and the highest in the A2F business line (3.33). Projects operating in Cambodia produced the highest impact scores followed by Vietnam and then Lao PDR. This, in part, reflects the strong achievements of Cambodia more generally in various private sector related areas, particularly in the area of finance where its achievements have been particularly impressive in recent years. According to the IFC’s internal assessments, 10 per cent of closed projects were rated ‘excellent’ in terms of achieving impact and 46 per cent rated ‘satisfactory’. The Vietnam Licensing, Lao PDR Credit Bureau, Vietnam Business Forum and Lao PDR Financial Institution Law are among those with the highest ratings for impact.

A number of the projects reviewed in-depth by the evaluation team were found to have addressed major structural factors that will, in time, and with the right economic conditions, lead to impressive impacts. The IFC has no control over these future events however and has no impact assessment methodology in place to measure these impacts. For example, the impact of the Vietnam Secured Transactions project was rated at 3 from 4. The structural impact of the project is high: SMEs in Vietnam can now secure loans against movable assets where they previously could not, and this is directly attributable to the reform of the legal and regulatory framework for secured transactions associated with this project. A major institutional constraint has been removed. However, this structural change has not yet been fully reflected in the volume of new financing to SMEs, largely due to external economic factors and the credit policies of financial institutions that are outside the direct influence of the project. Many IFC projects have similar characteristics: strong, targeted structural changes have resulted from projects but the full impact has yet to be realized, due to other factors beyond the control of the project. This is why robust longitudinal impact assessments at the project level are required. The cumulative impact of these projects will no doubt be very high in the future but will not be appropriately measured by the current M&E system.

The above analysis paints a mixed picture of performance at the impact level. The strongest performance has been in the A2F and IC business lines, however due to a lack of a high level M&E framework it is impossible to attribute this performance to achievements in private sector development in the partner countries. This lack of a portfolio-level view means that potential synergies between projects and business lines cannot be optimized. Although the evaluation schedule of mid-term and final reviews for facilities of this nature may assist the identification of some such considerations, this does not suggest optimal programming. The evaluation team is of the view that portfolio-level M&E should have been more strongly instituted at the beginning of the Facility.

**Sustainability**
Sustainability is a measure of the extent to which benefits are likely to continue once a project has ceased operations. The IFC does not presently include sustainability in its assessment of project performance. The evaluation team therefore developed a framework for assessing sustainability based on four criteria:

1. Whether structural changes at the policy and/or institutional levels are likely to continue and not be reversed;
2. Whether increased resource mobilization and/or investment occurred that reduces the need for further intervention;
3. The extent of ownership of the reforms by the counterpart;
4. If any strong evidence of (or likelihood of) impact at scale has been observed or is likely to be occur in the future.

As internal IFC reporting does not include metrics for sustainability, the sustainability of MPDF3 was assessed using a sample of 12 projects: the four case studies and the +8 projects that were subject to performance validation. The 12 projects reviewed achieved a mean score of 2.78/4, which is similar to the results documented in the MTR (mean score of 2.9). One project in particular was rated highly - Vietnam Secured Transactions - which scored 3.5. In this case, strong signs of sustainability are evident, with the online system operational almost 18 months after IFC support ceased. The A2F business line achieved the highest sustainability rating overall, reflecting the predominance of projects aimed at implementing structural reforms or supporting specific firm-level requirements. This also corresponds with the fact that A2F projects have provided the highest level of client contribution, suggesting the strong probability of sustained reform. In our sample, the PPP business line achieved the lowest result. The reviewed project (Lao Hydro Rural Electrification) was not successful in meeting its objectives, but it did build government contracting capacity, which has subsequently been applied to good effect.

The plotting of results across the four identified sustainability dimensions suggests that impact at scale is likely to be achieved across business lines. Three out of four business lines have generated structural changes at the policy and institutional levels that are likely to continue. The IC and A2F business lines also score highly in the areas of partnerships and counterpart ownership; the SBA portfolio scores less well on these metrics reflecting the higher number of stakeholders involved in SBA projects.

A key factor in the determination of sustainability at the project level was ongoing and consistent political support. Working with line ministries is not a sufficient indicator of sustainability. For example, the Lao Tax Simplification Project was given a score of 2.5/4. It faces sustainability challenges due to the uncertainty of the working relationship between the Ministry of Finance and the National Assembly. This uncertainty is greatest for the amendments to the VAT law that the project seeks to support. The political commitment of the National Assembly has not been secured despite having the support of the Ministry of Finance officials. Understanding the political-economy of reforms is critical to sustainability.

The above analysis suggests that sustainability is largely satisfactory across the portfolio. There is clear evidence that benefits are being sustained after project cessation. However more could be done to mainstream sustainability considerations into project planning, review and completion processes, and we understand that the IFC is making a number of reforms in this regard. This mainstreaming could involve a more nuanced and analytical assessment of likely sustainability that takes into consideration local political-economic dynamics and macro-economic factors. This may include, for example, more in-depth political economy analysis and the development of integrated theories of change. Expanding post implementation monitoring and evaluation
processes could also be used to assess the sustainability of reforms. The results of such evaluations could then be fed into the lessons learned and knowledge dissemination processes for future programming.

Additionality

The IFC defines additionality as “the benefit or value addition [the IFC] bring that a client would not otherwise have. In other words, additionality is a subset of a role that is unique to IFC and that cannot be filled by the client or any commercial financier”. Additionality assessments are a crucial component of private sector development programs because public funding can only be justified if the private (or, in the case of MPDF3) public and private sector would not have proceeded to implement a project without this additional support. The evaluation criterion of additionality is unique to the IFC, and reflects the view that IFC advisory services should not displace commercial actors (or other actors) in the provision of services.

The evaluation team’s appraisal of additionality included assessing the consolidated project completion report scores for ‘IFC contribution’, which is a valid proxy for additionality. The average project score across the portfolio was 3.18. This suggests that IFC expertise has been provided in areas that would not otherwise have received assistance. This result sits between Excellent (4) and Satisfactory (3). There was some variability across business lines. For example, IC projects recorded an average of 3.75 – a very high score, which may reflect the IFC’s considerable expertise and experience in the area of investment; A2F projects recorded 3.08; PPP projects recorded 3.00; and SBA projects recorded 2.77. Comparisons across countries were less variable with Cambodia scoring 3.27, Vietnam 3.16 and Lao PDR 3.00.

To complement the portfolio-level analysis, the evaluation team assessed the dimensions of additionality in 12 MPDF3 projects (namely the +8 projects and the four case studies). Each project was assessed against four criteria, and a score out of one was given for each project, the criteria and average scores include:

1. IFC advisory products were really needed (average 0.79)
2. IFC took risks that others were not willing to take (average 0.54)
3. IFC provided services that others did not (average 0.83)
4. The project would not have proceeded without the IFC, or it would have been delayed or at a smaller scale (0.96)

Based on this assessment, the IFC’s additionality was most significant in terms of assisting projects that otherwise would not have proceeded or where the reform would have been delayed or at a smaller scale (i.e. the provision of catalytic or accelerated reform), and providing services that others would not (categorized as innovation, knowledge, and policy work).

The evaluation team assessed additionality, alongside relevance, as the highest scoring of all the criteria. The average score of 3.2 rated additionality between satisfactory and excellent. This corresponds very closely with the IFC average ‘IFC contribution’ score for closed MPDF3 projects of 3.18, providing strong evidence that overall performance scores are valid. The evaluation of the +8 projects highlighted that the IFC’s strong local presence in each of the MPDF3 countries is a key factor influencing high additionality scores, as is its reputation as an expert ‘honest broker’ in regulatory advice.

At the project level there were many examples of the importance of this expert ‘honest broker’ characterization. For example the evaluation found that projects like the Lao Tax Simplification Project would most likely have not
proceeded without IFC support and expertise. It is highly unlikely that commercial entities would have provided the impartial advice and assistance the IFC was able to provide to this project. Without MPDF3 support the Government of Lao PDR was very unlikely to have initiated tax reforms focusing on SMEs. Similarly it is clear that the IFC expedited reforms in the Vietnam Secured Transaction project. The advisory services provided for this project were undoubtedly needed. Less clear, though, is whether the Vietnam Bond Market Authority would have emerged without the assistance provided by the IFC. There are strong grounds for saying that IFC involvement expedited the necessary reforms and that it was very well-placed to undertake the project by virtue of its experience in other markets and the relationships it had built with financial, policy and regulatory agencies in Vietnam through other secured transaction projects.

It is clear that the IFC contributes ‘additional’ advisory services that lead to important private sector development outcomes. Acting as an expert ‘honest broker’ in the space between the public and private sectors allows the IFC to leverage relationships and expertise to foster these development outcomes. The suggests that the IFC’s focus on additionality is justified and if anything could be communicated more rigorously to donors and clients.

**Cross Cutting Issues**

**Gender and Poverty**

The goal of MPDF3 is to contribute to sustainable growth and poverty reduction in Vietnam, Cambodia and Lao PDR through private sector development. Due to their extensive reach, there is little doubt that MPDF3 projects are contributing to poverty reduction outcomes, at present however, the IFC has no mechanism to capture the impact projects directly and indirectly have on poverty reduction. MPDF3 projects do not include poverty indicators at outcome level and poverty incidence is not reported on.

Through its assistance, MPDF3 assists key institutions, private or government “intermediaries” in their provision of services, with the intention that these services will be extended to under-served populations. The IFC’s support is therefore mostly indirect in terms of poverty impact, except for direct microfinance or value chain/supply chain-type interventions. Nonetheless, MPDF3, through its work with intermediaries no doubt has a broad impact as it reaches a range of firms, who in turn provide important services to a wide range of poor people. This may well result in significant pro-poor impact over time, but this impact is hard to assess given the current M&E system.

This evaluation identified a number of projects that would directly contribute to poverty reduction through various pathways. These included the mobile banking project in Cambodia, which has helped 1.4 million poor rural families better manage remittances through the provision of financial services. Projects such as this help household’s smooth consumption and provide insurance against chronic or acute shocks to their livelihood systems. Other examples include support for SMEs through the VietinBank and An Binh Bank projects, which are expanding financial services for SMEs throughout the country. Research across the globe has quantified the important economic growth and poverty reducing effects of financial services provision to the rural poor and SMEs, and there is no reason the same would not hold for IFC projects, the problem is these effects are not presently being measured in a robust fashion.

The IFC needs to do more to quantify the impact of its projects on poverty reduction. Specific impact studies could be undertaken by the IFC to estimate the pro-poor benefits of financial deepening projects in particular. In order to maximize poverty impact, consideration may also be given to targeting interventions in areas with high
poverty incidence. In the MPDF3 context that may include focusing on the isolated and geographically challenging northern areas of Lao PDR and depressed economic regions in the other two countries. This suggests a move away from a national focus towards a more explicit sub-national focus.

With regards to gender issues, it is clear that there have been improvements in reporting and targeting over the course of MPDF3. The IFC now tracks the impact of its interventions disaggregated by gender: specific gender indicators are developed at both output and outcome levels and the IFC’s M&E guidance for selecting project indicators from 2010 onwards lists specific gender indicators. The majority of the projects reviewed by the evaluation team included gender related indicators and the current format for project implementation plans includes a section that explicitly details the role of women in the intervention. However MPDF3 donors noted concerns about the IFC’s perceived lack of action in this area. Progress is being made to ensure gender dimensions are better integrated into the diagnostic process for business lines, the screening process for choosing activities, and the design, monitoring and results measurement of interventions. Following discussions with senior management staff, we are confident that these issues are viewed as a priority for improvement and that effort to strengthen IFC understanding of their importance are underway. A Gender Specialist has recently been recruited to join the East Asia & Pacific (EAP) office and will serve as a regional adviser with a remit of supporting MPDF3 projects.

**Monitoring and Evaluation**
Robust performance monitoring and evaluation is a complex process, especially in relation to private sector development, which often has an indirect impact on poverty reduction. Capturing the socio-economic change engendered through PSD interventions and isolating them from other economic, political and social factors is very difficult. The IFC’s M&E systems are presently not set up to capture the impacts of its programs, particularly on poverty, as noted above. Under MPDF3, reporting has focused on project level impact indicators. More needs to be done to strengthen the facility-level strategic framework if higher level objectives are to be reported against. Despite these higher level issues, a number of innovations have been developed over recent years that have strengthened performance monitoring across EAP projects. These innovations have included the development and dissemination of regional M&E standard operating procedures, the standardization and rationalization of indicators, and the introduction of a logic modelling process for all new projects. This has helped bring consistency and a higher quality to M&E processes.

**Value for Money**
MPDF3 has assessed Value for Money (VfM) by using a cost effectiveness metric. This cost effectiveness calculation divides the estimated benefit of the expected impact by the planned budget. It therefore focusses on known inputs and estimated impacts. This is a relatively unsophisticated approach to measuring VfM. VfM typically involves a composite assessment of economy (unit cost), efficiency (conversion of inputs to outputs) and effectiveness (the achievement of objectives). A more robust measure of VfM tracks the process from inputs to impacts, focusing in particular on the conversion of inputs to outputs and outputs to outcomes. The focus on cost effectiveness bypasses this process and the corresponding leap from inputs to impacts doesn’t sufficiently uncover VfM maximizing opportunities.

The evaluation team found no particular concerns over the way resources had actually been used within MPDF3; resource use does not appear excessive overall and the evaluation team’s limited benchmarking of inputs indicates that the IFC performs within the boundaries of other development partners. However, a more robust system to present and calculate VfM (such as that presented above) is recommended so that efficiency gains can be maximized and better communicated.
Implementation of Mid-Term Review recommendations

A Mid-Term Review of MPDF3 was conducted in 2010. Alongside offering a performance assessment, the review made a number of recommendations for implementation during the remainder of MPDF3’s tenure. The evaluation team for this EFR found the extent of implementation of these recommendations to be very high: of 19 recommendations 13 were assessed to have been fully implemented; one was considered to be no longer applicable; three were assessed as partially implemented; and, no evidence was found to suggest that two had been implemented. These were:

→ A recommendation to implement a method of mandatory benchmarking project durations in order to more closely monitor the impact of project delays.
→ A recommendation to provide a clearer distinction between the IFC Mekong AS “programmatic core” of standardized products and the “innovation portfolio”.

Overall, the evaluation team does not consider the absence of the implementation of these recommendations to have adversely impacted MPDF3 effectiveness. It is also important to note that a principal concern highlighted in the MTR was the impact the transition to a regional staffing and management model might have on implementation. The evaluation team is of the view that while the process was undoubtedly challenging at the time given its significant scale, the model is now fully embedded and, overall, proving highly beneficial.

Conclusions and Recommendations

The evaluation found that MPDF3 had generally performed well against the OECD-DAC evaluation criteria. The activities were highly relevant to the development contexts in each of the three countries, and were observed to be effectively implemented. Further, there was evidence that the results of a high number of activities will, most likely, be sustained after project cessation. It was very clear that the implementation of PSD projects by the IFC provides a high level of additionality, primarily through its unique understanding of technical matters and context, and its ability to act as a ‘honest broker’. The evaluation found that significant improvements in efficiency had been made over the course of the facility and that more could be done to improve performance in this area; the move to a programmatic approach will provide opportunities for further efficiency gains. Despite the concentrated focus of MPDF3 on private sector development in Vietnam, Cambodia and Lao PDR, there has actually only been limited improvement in the enabling environment for private sector-led growth in these countries in recent years. Even if these indicators had improved substantially it would be very difficult to link MPDF3 activities to changes in the business environment due to a lack of portfolio-level monitoring and evaluation.

Based on the foregoing analysis, the evaluation makes a number of key recommendations, these include:

→ Engagement with donors partners should be strengthened by reporting more clearly where the IFC is working with other donor partners, or separately to other donors but within the same sector; engaging more closely with individual Embassies given their role in supporting FDI in order to learn where bottlenecks/ difficulties in working with businesses have been identified; and, playing a more active part in donor coordination and policy discussion meetings in order to support the delivery of coherent policy messages to government.
→ The economical use of resources should be more rigorously demonstrated by introducing cost benchmarking and trend analysis processes.
The IFC should work to deploy program-level M&E frameworks for activities such as MPDF3 so that cumulative impacts and synergies between projects and business lines can be evaluated. In response to this recommendation the IFC have noted that all new thematic programs now develop program M&E frameworks at the proposal stage and that these are discussed with donors. This is a welcome step.

To further improve the assessment of sustainability, the IFC should ensure that future program-level M&E frameworks extend to the post-implementation period and include a robust assessment of political-economic and macro-economic issues. In response to this recommendation the IFC have noted that this process extends to the end of the grant period as requested by donors. Internally, the IFC add post implementation monitoring for two to three years and the reliance on client data enables low cost monitoring after the end of funding. The IFC also states it will allocate costs for post implementation monitoring after the end of donor funding.

In order to maximize poverty impact, consideration should be given to targeting interventions specifically in areas with high poverty incidence.