More Synergy with Less Energy: A Partnership Approach to Achieving Results in Financial Infrastructure

How do you achieve advisory services results on a shoestring budget (due to funding allocation adjustments and revised donor priorities) and two staff (almost!)? The many variables involved in managing and growing any regional program—including significant time spent in procuring expertise and short-term consultants, and in fund-raising—reduce the time available for project delivery. These necessary distractions shift the focus away from managing client relationships and achieving impact. And, at times, they can affect the quality of outputs. This SmartLesson talks about using strategic partnerships to help balance the external and internal factors while expanding outreach and remaining responsive to clients. With this approach our team has gone from “how do we make it through this financial year without a drop in client satisfaction and low supervision results” to “our clients are so pleased that they’re talking with IFC CEO Lars Thunell about expanding their IFC relationship!”

Background

The Credit Bureau (CB) program in the Middle East and North Africa (MENA) region operates in a market that, with a few exceptions such as Egypt and Pakistan, can be broadly described as being at an early stage of development. The high demand for IFC Advisory Services (AS) in developing the credit information market—a testament to the success of IFC’s earlier awareness-raising efforts—is based on the acute recognition and strong desire of the financial sector and regulators to develop the credit information market. The upheaval in global financial markets and the pivotal role of comprehensive credit information, quality, and risk management practices has subsequently
reinforced this need. Central Bank–operated credit registries, private sector credit information providers, and credit scoring and related value-added providers have all specifically sought IFC's expertise and support in developing, implementing, and enhancing the performance of the credit information market. With program resources and budget stretched early on in the financial year, a mandate to prioritize conflict-affected and fragile markets (characterized by high security and sporadic travel permits) compounded an already challenging environment.

**The Delivery Model**

IFC's CB team in the region sought strategic partnerships with organizations that have overlapping mandates to promote the development of financial infrastructure, particularly credit information markets, in MENA countries. These strategic partners provided a source of administrative support, headcount (two full-time resources by Year Two of the project), and parallel funding ($160,000 per year for three years). This arrangement enabled our program staff to focus on concurrently delivering advisory services to clients in different geographical areas. The rationale for adopting this approach, instead of bringing on board specific skills through external or short-term consultants, is primarily twofold: First, strategic regional partners are able to mobilize their own funding (third-party/parallel) to supplement IFC's objectives in the region. Second, using the partners’ staff to support the administrative activities relieves the pressure on IFC's own staff while building the capacity of the partners through on-the-job learning.

This approach has allowed the CB program to actively manage three projects engaging with six credit registries in MENA, using fewer than two full-time equivalent IFC staff. The two partners engaged by the CB program are:

- **Arab Monetary Fund (AMF),** based in the United Arab Emirates: AMF has a regional presence and a well-established network of relationships in all MENA region countries. It is a well-funded organization with a mandate to promote financial infrastructure, regional integration and cooperation, and more resilient markets with wider outreach.

- **Bank Negara Malaysia (BNM),** the Central Bank based in Kuala Lumpur: BNM is a progressive central bank located outside the MENA region. It has a strong interest in promoting knowledge sharing in financial infrastructure, achieving greater outreach, and building capacity of other central banks. It has dedicated training facilities and staff, with a significant allocated budget, and regularly hosts regional and international banking sector staff.

An example of the benefits of such collaboration is the launch of an annual training event hosted by the CB program’s partner to serve the capacity building needs of IFC clients, among others, in MENA. The funding for logistics, speakers, and participants is borne collectively by BNM, AMF, and participating organizations (speakers and credit registry/bureau staff). The only costs to IFC are the travel expenses, and time of IFC staff. Adopting this approach has allowed the CB program in MENA to remain engaged with and directly deliver training to credit registry staff from 13 central banks in the region.

Delivering advisory services in collaboration with AMF and BNM efficiently addressed the funding and staffing gaps of the MENA CB program. It allowed the team to deliver on its operational strategy, covering priorities of the Access to Finance pillar in MENA and the Global Credit Bureau Program. Using the approach provided flexibility for IFC to engage with clients individually as well as through regional events while retaining control of the scope and focus of each effort. All activities were guided and delivered by the MENA CB team, while the partners played a supporting role in leveraging their network, managing logistics, organizing events locally, and providing supplementary funding. The experience with each partner has been distinct, with its own set of strengths and weaknesses. (See the figure.)

**Lessons Learned**

1) **Match IFC’s strategic priorities with those of the regional partners.**

Potential partners typically have a positive and enthusiastic response to the possibility of working with IFC, but...
enthusiasm alone is not enough. There should be sufficient overlap, for example, in such strategically important considerations as geographic focus and thematic areas. It is important to take the time to perform an objective assessment of a prospective partner’s values and to be sure its management shares IFC’s vision. A good way to ensure a strong correlation is to verify a formal goals statement that was made by the partner organization independently of and prior to IFC’s approach. Ideally, such a statement should be included as part of the partner institution’s mandate. In case such a statement does not exist, it may be worthwhile for IFC to discuss a formal endorsement of the shared goals by the senior management or even the board.

Also, by highlighting the regional market needs and making a case for how they align with the partners’ strategic priorities, the IFC team can strengthen the partners’ buy-in and develop a shared vision for outcomes. In our case, the strategic priorities were developing the credit information market and capacity building.

2) Leverage the strategic partner’s resources, and supplement deficiencies through capacity building.

A key objective of such collaborations is to improve the quality of regional resources and the depth of subject-matter expertise in each partner organization. The MENA CB program helped build AMF’s capacity through joint country missions, where regular interaction with and shadowing of IFC experts allowed the partner’s staff to gradually take over responsibilities. Particularly when there are just a few staff to train, such on-the-job training is more efficient than classroom-based training, which requires blocks of time and takes IFC staff away from client-facing activities. This kind of capacity building also ensures longer-term sustainability of the platform established through such collaborations.

IFC’s collaboration with AMF within the scope of credit information has been going on for 18 months and has achieved the following:

• completed 6 country missions by a joint AMF and IFC team to assess the current state of the credit information market.
• delivered 5 confidential reports containing recommendations to MENA central banks for enhancing the development of the credit information market.
• drafted 3 country reports, with 3 additional reports being drafted, documenting the key stakeholders, regulatory environment, and growth potential of each credit market.
• organized and conducted workshops during the Arab Credit Reporting Initiative annual meetings.
• developed and launched a Web site for knowledge sharing.
• trained 23 public credit registry staff from 13 MENA countries; and
• initiated discussions with 2 credit registry clients for individual AS engagements based on IFC confidential report recommendations.

Regional clients’ appetite for IFC’s direct AS intervention, as well as the internal need to achieve stretch targets, made the need for additional resources even greater. In response, and in light of our budget limitations and hiring freeze, IFC proposed bringing on board dedicated resources with relevant skills through the partner organizations. With the flexibility to develop customized terms of reference, IFC has been able to bring in the specific skill sets to address the needs of the project and maintain significant control over the quality of staffing.

3) It is important to understand the partners’ internal processes.

The ability to leverage third-party or parallel funding is a significant advantage when using an external partner to support the delivery of AS. Quicker procurement of vendor services, direct access to consultants, and availability of partner funding permit IFC staff to focus on delivering expertise to our clients.

On the other hand, if a partner’s internal processes prove slower and less efficient, a trust-fund relationship should be considered—as was the case with AMF’s tracking of internal budgets. Although AMF committed funds ($160,000 annually for three years) at the outset, it continues to be difficult for the organization to provide for the project expenses on a regular basis and in a timely manner. This causes delays in IFC’s own supervision reporting cycle and also prevents any proactive management of underspending or overspending on the project.
In such a case, it is recommended that IFC’s regional pillar managers adopt a strategic vision involving the partner’s senior management. AMF senior management has been apprised of the trust-fund structure, and—since initial discussions during the 2010 Spring Meetings—its benefits are being explored with the relevant IFC team and AMF.

4) **Extract maximum value from the steering committee through regular monitoring.**

Quantify and agree on outputs and outcomes—with the involvement of IFC’s regional management and the partner’s senior management—while conducting regular (quarterly, biannual) progress reviews. To further improve buy-in and ensure a shared vision of the project goals, take the time to explain the project’s logic model and the indicators used by IFC. During this discussion, recognize that the partner organization may want to add indicators that reflect its own agenda. These indicators can also be revisited during the steering committee meetings, as needed, to maintain buy-in.

This interaction is important, because it helps keep the collaboration on track and also allows for addressing requirements such as additional staffing, funds, and country priorities. Further, it is an opportunity for regional management to better understand the needs of the local markets and to identify opportunities based on the partner’s appetite relative to IFC’s own priorities. Lastly, the senior leadership of each organization can align mandates that, in this case, have provided a balanced approach toward engaging the public sector to facilitate changes in the private sector. By having these meetings with AMF, IFC is now in discussions to expand the collaboration to cover advisory projects in risk management, secured lending, and trade finance.

**Conclusion**

The flexibility to structure the regional delivery model for AS will remain key in achieving impact targets. Using regional partners as a source of funding and head count provides a viable alternative when budget constraints prevent bringing on short-term resources and funding for projects. This approach served the needs of the MENA CB program and our clients, helped maintain IFC’s leadership role in the region, and contributed to the development of the pipeline for the next fiscal year.