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# SmartLessons

*real experiences, real development*

## Settling Down into a Long-Term Partnership: Successful Relationships for Sustainable Clients

*After many years delivering corporate governance programs in Europe and Central Asia with in-house staff only, IFC moved to the next level with the objective of building local capacity to ensure the sustainability of corporate governance services in the market. But how should you set about selecting a partner for a long-term relationship? How do you manage the relationship over the life of the program? What if the relationship isn't working? Most important, how can you measure whether partner capacity is indeed improving? This SmartLesson sets out some points to consider when engaging with a long-term partner in a capacity-building program—and some ideas on measuring whether capacity is being effectively built.*

### Background

IFC started promoting corporate governance best practices in the Europe and Central Asia region (ECA) in the 1990s, advising companies, regulators, and other market players—mostly “going solo” (relying on IFC’s own staff). On occasion, IFC would partner with a local institution, but typically on an ad hoc basis for a short-term purpose. The next stage involved the development of local training and consulting institutions over a three-year period to ensure that corporate governance advice would be available in the market beyond IFC’s engagement, and to achieve greater market impact. IFC and one of its main donors, SECO, realized the program needed a method to measure qualitative improvements in, and sustainability prospects of, the institutions that IFC was training. What we learned can apply to any program for building local capacity to deliver services independently of IFC.

### Lesson 1: Is it too early to settle down? (Preparation)

**Is the time right?** Capacity building as a stand-alone objective should be a bigger

priority in markets where IFC has worked for a longer period. However, you still need to determine whether there will be sufficient demand in the market to justify such an intensive intervention.

**Be flexible:** It doesn’t serve to be too prescriptive in approach. The program needs to adjust to ever-changing realities—starting during program design and then continually during delivery. After all, you’re dealing with real people in real institutions with real human circumstances that could influence success.

**Be humble:** Just because IFC may be new to a market doesn’t mean there aren’t sophisticated players already there.

### Lesson 2: How do you choose a long-term partner? (Preparation)

**Clarify the objective and vision:** What will success look like? What does IFC want to achieve? What outcomes would the program like to see at the end? For example, is the goal that the partner might be in a position to serve IFC’s investment clients by program end?

**Assess the market:** Conduct due diligence on existing institutions—strengths, profiles, and ability to influence or inform. Consider those institutions that might already be well positioned and have commitment.

**Who is available and eligible?** Determine the types of institutions you should consider to help reach your goals. For example, regulators may be influential, but if the goal is for the partner to deliver consulting services, is a regulator really the best partner? Next, consider your key criteria—whether the potential partner has the staff time to dedicate to what may be less lucrative than its mainstream work for a period of time. What other obligations does it have? Does it have a network? Be sure to select neither too many partners nor too few. Keeping in mind the size of the market and your vision of success, assess the nature of any likely contenders, the likely positive or negative consequences of creating competition among partners, and whether partners can complement each other.

**Familiarity:** Consider the benefits of building on existing relationships (where IFC has already invested resources and grown capacity) and the familiarity that comes with those relationships. Then weigh that against the commitment that could come from a new partner institution.

**Competition:** You may want to take a competitive approach in selection, obtaining formal expressions of interest (perhaps through open advertisement) and requesting a motivation letter in which applicants describe their capacity, staffing, current knowledge, other obligations, networks, and financial position. Even if there is no open advertisement and even if an institution is already known to IFC, such written expression of interest should still be obtained.

### Lesson 3: How do you make a move? (Preparation)

**Be open:** It's all too easy to focus on what IFC wants without considering what's in it for the partner. Demonstrate to potential partners what they stand to gain, but also encourage them at the outset to be open about their ability to engage (rather than waste resources on a partner that fails to deliver later on). Be aware that IFC's name may keep some from freely admitting they can no longer deliver.

**Getting buy-in:** Include, for example, the following:

- **Memorandum of Understanding:** Sign MoUs with selected partners, even if—or indeed especially if—they have worked with IFC in previous projects with different relationship dynamics and less demanding requirements. Signing an MoU helps partners focus before commitment.
- **Introductory workshop:** Prior to implementation, hold a workshop with all partners to explain relationship dynamics and practical requirements and expectations.
- **Contract:** With the partner, sign a framework cooperation agreement that outlines key targets and deliverables as well as specific requirements, such as reporting and integrity due diligence (IDD).

### Lesson 4: What's involved in living together? (Implementation)

**Put them to the test early:** Due diligence and indications of commitment cannot substitute for the experience of working together. The stress of program delivery can help with detection of potential risks for achievement of program objectives, and with devising mitigation strategies. Communication: It is critical for IFC to maintain close and constant communication with its partners. Consider developing an outline for communication with each partner to ensure that the partner feels supported and not overloaded, and that IFC properly assists the partner toward the shared goal.

**What's the partner's vision?** At the outset, some partners may not have a clear vision of how they wish to grow, even though they had to present some elements of their vision as part of the selection process. Their vision will evolve over time, along with their areas of interest. IFC needs to encourage—and assist with—this development of vision.

**Balance individual and group training:** Program design—including budget preparation—should cover interactions between IFC and individual partners, interactions between the partners, and group interactions between partners and IFC. Individual engagement works better for more intensive, tailored training and capacity building. Group training events—for which IFC should budget at least once a year—serve to 1) maintain partners' enthusiasm, 2) allow partners to develop networks among themselves, 3) establish a sense of benchmarking among the partners, and 4) repeat key messages.

**Avoid a dependency culture:** The goal is to ensure sustainable institutions that can deliver services independently of IFC. Thus IFC needs to gradually decrease dependency over program life by, for example, encouraging partners to 1) cover more of their own costs for events delivered, 2) critically consider their ability to charge (thereby covering some or all of the costs), and 3) deliver technical knowledge with increasing independence. IFC should not always rush to be in attendance, or should attend as an equal rather than as a backup. To avoid the creation of a dependency culture (a key risk in capacity-building programs), IFC should become more critical in assessing the provision of financial and technical support for partner initiatives. More generous financial support may be appropriate for "newer" partners. Technical support may be more effective as behind-the-scenes assistance.

**Client work:** In engaging a client, consider tripartite project services agreements between the client, the partner, and IFC. This allows the partner to feel a greater sense of responsibility and raise its profile and the revenue that it shares with IFC. An alternative is for IFC to sign an agreement with a partner to support that partner in delivering services to a client. This "frontline" approach for the partner may be appropriate where the engagement is more limited and the partner is more confident. IFC also needs to consider carefully how to

manage IDD issues with a prospective client introduced by a partner—and to explain to the partner at the outset that the same IDD issues continue to apply if IFC is to be engaged with a given client. When working with IFC investment clients, consider whether to involve the partner—depending on partner ability, and keeping in mind the internal IFC relationships involved. Furthermore, with certain partners the goal might also be for that partner to be able to deliver to investment clients in the future.

**Pricing:** IFC wants to ensure real commitment from clients by charging on a financially sustainable basis. At the same time, the partner needs to earn revenue—to demonstrate the sustainability of its services and to remain motivated in engaging with IFC. This may lead to sensitive discussions about how to split fees between the partner and IFC. The division of work should be the defining factor in determining fee allocation, but take care that the partner does not feel that IFC is taking more than its fair share.

**Networking:** Encourage partners to develop a network among themselves, where IFC is not the focal point. Partners can share ideas and support each other’s initiatives, and so on, and they may wish to sign MoUs with each other as part of this process.

**Reporting:** Early on, emphasize the importance of partner reporting to IFC, given that IFC may be a step removed from a client reached by a partner. Providing easy-to-use templates can help achieve the goal of conveying the necessary data.

**Lesson 5: What if there are relationship difficulties? (Implementation)**

**Keep your eyes open:** If a dependency culture takes hold over time, partners may be quick to request funds from IFC

or to ask IFC to deliver work, for example, when they would be better placed to do so themselves. Remind the partners of the shared objective and ensure them that IFC’s support is solid even without meeting all requests unquestioningly.

**Box ticking:** Sometimes you may find that partners are not abiding by their commitments to IFC. This does not bode well for sustainability after program end and needs to be managed sensitively. Explain the shared goal for long-term sustainability. If the partner is unwilling to change, it may be time to revisit the vision shared with the partner or consider an additional partner.

**Termination:** Terminating a relationship can be delicate and could even jeopardize the program. While less dramatic, engaging an additional partner must also be treated with care, especially if there is likely to be overlap.

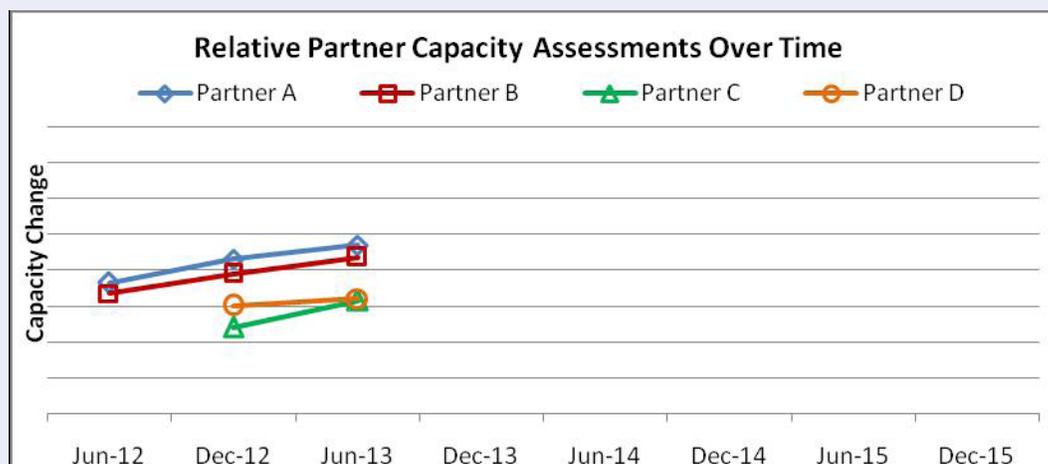
**Lesson 6: Is the relationship working? (Implementation)**

How do we know whether we have succeeded in building partner capacity to provide services sustainably in the market? Will the partners have a positive impact by providing quality services in the market? One way to find out is by designing an evaluative study to assess the sustainability of client capacity-building engagements. Figure 1, for example, shows evaluation results that are included in a report to the donor on project performance.

**Designing the Study:** Frame the study’s questions to focus on the partner and the market (rather than just outputs). Meaningful answers require real-world context. For example, the corporate governance program’s model looks to market-level impacts, so the study formulated the following questions:

1. Do partners have the capacity to supply the services? This question brings out whether the client learned

Figure 1: “Consolidated” Capacity Chart



The chart shows capacity growth of four actual study partners over time, consolidated across the four framework metrics and relative to their baseline capacity. The timeline runs to project end, when partners are envisioned to show significant upward capacity change, both relative to baseline and in absolute terms, to reach the upper boundary of the chart, demonstrating ability to deliver best-practice corporate governance services sustainability in their markets.

something—whether capacity was built.

2. Is there a demand for services within a viable market? To be sustainable, the partner needs to engage the market and successfully apply the new skills. This question addresses whether the partner is motivated to do so: Is there a business case for its developed capacity?

**Use a structured framework:** Break questions into categories, driven by quantitative and qualitative data. Developing these questions into a questionnaire can ensure consistent assessment over time. The corporate governance study framework had four measurement points, which may be generally applicable:

1. *Technical Capacity:* Does the partner have the necessary skills, expertise, staffing, and resources?
2. *Delivery Capacity:* How “much” services are the partners supplying (volume of engagements), and how much is delivered jointly as opposed to independently of IFC, and with what quality?
3. *Outreach Capacity:* What level of relevance, fit, or potential demand exists? How is the partner engaging public advocacy or awareness-raising for the topic? What type of client feedback is received?
4. *Institutional Capacity:* Is the partner committed to the agenda? How does it fit within the partner’s own strategy, business model, and market position? What level of resource is being allocated?

**Collect data over time:** Capacity building means growing, changing over time. Periodic assessments over program life provide the most appropriate measurement of this growth, for two reasons: 1) understanding how a partner learns and applies new capacities will highlight strengths and weaknesses that can focus program delivery, and this interplay between delivery and client change is the basis for measuring progress; and 2) periodic data collection establishes a trend line. With biannual surveys, the corporate governance project expects about eight measurement points for each study client by the end of engagement. This method establishes a clear

baseline at the start and illustrates how much changed by the end.

**Get a full picture, but don’t burden the partner:** Our partners don’t want to complete surveys every six months. IFC works with them closely; we know what they’re doing. Using our own expert opinion helps shift reporting burdens off them. Of course, a deeper understanding of their motivations, commitment, and market assessment is a critical piece of the picture. For a full insight, the assessment pairs in-depth baseline/midterm/end-line interviews with short, structured biannual survey assessments conducted by IFC.

**Use expert opinion:** IFC boasts technical experts who are qualified to assess a partner’s ability and capacity. Expert judgment is especially useful in assessing conditions where effects can be greater than the “sum of their parts”—such as in capacity building. But to produce credible analysis, it must be structured, consistent, and controlled for bias. Using a clear framework (such as the four measurement points) with a structured assessment tool helps establish this consistency. Corroborating quantitative metrics—those underlying “parts”—helps control bias. For the corporate governance study, the same experts assess the same clients, while a program leader ensures consistency. Metrics—including client operational data, volume of engagements, and number led in partnership versus jointly—corroborate those assessments. For long-term capacity-building engagements, expert judgment helps control biases that could arise if clients were surveyed directly.

## Conclusion

A capacity-building program may need a longer and more careful preparation phase to ensure that IFC selects the best partners available. It can be challenging to turn around a selection of the wrong partner. Engaging with partners and monitoring their progress also require keeping a watchful eye for signs of frustration that could affect their motivation and, ultimately, program success.



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