



Foreword

This year's Independent Evaluation of IFC's Development Results (IEDR) reviews the findings related to 174 IFC-supported investment operations that reached early operating maturity during 2005–07. It also includes preliminary results for IFC's advisory services, based on a pilot review of 293 operations completed during 2004–06. As a second theme, the report provides a first look by IEG at IFC's *additionality* (or unique contribution) in its investment and advisory services operations.

First, the IEDR finds that during 2005–07, 63 percent of evaluated investment operations, by number (75 percent by dollar volume), achieved results that, on balance, met or exceeded specified market, financial, economic, environmental, and social performance benchmarks and standards. The drivers for project performance include the country's business climate, sector choices, quality of the sponsor, specific project risks, and IFC's own work quality—which together explain the superior results in the Europe & Central Asia and the Latin America & Caribbean Regions, compared with the much weaker results in the Africa, Asia, and Middle East & North Africa Regions.

Second, the evaluation shows that pursuing development effectiveness need not come at the expense of IFC profitability on its investments. Nearly 60 percent of projects combined high development outcomes with acceptable financial returns for IFC investments while, at the same time, some 25 percent of projects achieved low development ratings along with a less than acceptable IFC financial return.

Third, in a first look by IEG at IFC's additionality, the report finds that financial additionality—in the

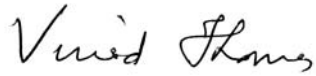
form of loan tenor or other features—appears to be present in 85 percent of cases, and at least one form of operational or institutional additionality is present in about a third. However, in nearly a fifth of the cases, IFC's role and contribution—an overall dimension of additionality—was judged to be less than satisfactory, meaning it fell short in a material area, or IFC was deemed not to be additional or to have delivered its expected contribution.

Taken together, these findings highlight the unique role that IFC can potentially play. In the countries where IFC is involved, it can increasingly seek to carry out a special function in the form of the priority it gives to furthering development effectiveness through the private sector, while simultaneously ensuring sound financial returns to its investments.

Finally, the report highlights the challenges in improving development effectiveness as IFC rapidly expands support in regions with relatively weak institutions, poor business climate, and fragile environments. The tasks ahead for IFC are to ensure strong portfolio risk management while its operations grow rapidly, to improve environmental

and social supervision in Africa, and to continue efforts for improving reporting on the quality of advisory services performance. In all of these respects, additionality would seem to be closely tied

to development effectiveness. IFC therefore needs to increasingly stress the strategic thrust, operationalization, and tracking of the institution's unique role and contribution.



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