# AIMM Guidance Note

*This note provides guidance on how IFC assesses the development impact of its investment projects through its Anticipated Impact Measurement and Monitoring (AIMM) system.*

This note provides guidelines on how to assess the development impact of investment projects under IFC's Anticipated Impact Measurement and Monitoring (AIMM) system. It lays out the methodology and highlights the general principles that apply to all sectors. Section I introduces the AIMM system and Section II discusses the principles that underpin the AIMM assessment. Section III explains the system's design and assessment architecture. Section IV provides detailed guidance on how the project and market outcome ratings are derived. Section V explains how the methodology adjusts the ratings for risk of achieving the desired outcomes as well as how the qualitative ratings are converted into a numerical score. Finally, Section IV outlines the approach followed for AIMM monitoring.

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# Introduction

In 2016, IFC adopted its 3.0 corporate strategy, which firmly places market creation at the center of how it assesses the development impact of its investment operations. To operationalize the strategy, IFC developed the Anticipated Impact Measurement and Monitoring (AIMM) system in 2017 as a tool to better define, measure, and monitor the development impact of each investment project. The AIMM system is underpinned by economic literature, impact measurement best practices, and operational experience.

The AIMM system integrates development impact into the selection of IFC investments by assigning ratings (and quantitative scores) to each project based on both direct and indirect effects expected to accrue because of the project, as well as the broader catalytic market effects it is expected to generate. Thus, AIMM helps operationalize the IFC 3.0 strategy by:

- Improving IFC's ability to select and design projects that maximize development impact.
- Integrating development impact considerations into IFC's decision-making processes to deliver an optimal mix of projects that generate both high development impact and solid risk-adjusted financial returns.
- Facilitating learning from results achieved relative to ex-ante expectations and using the lessons to improve the design of future projects in similar sectors.

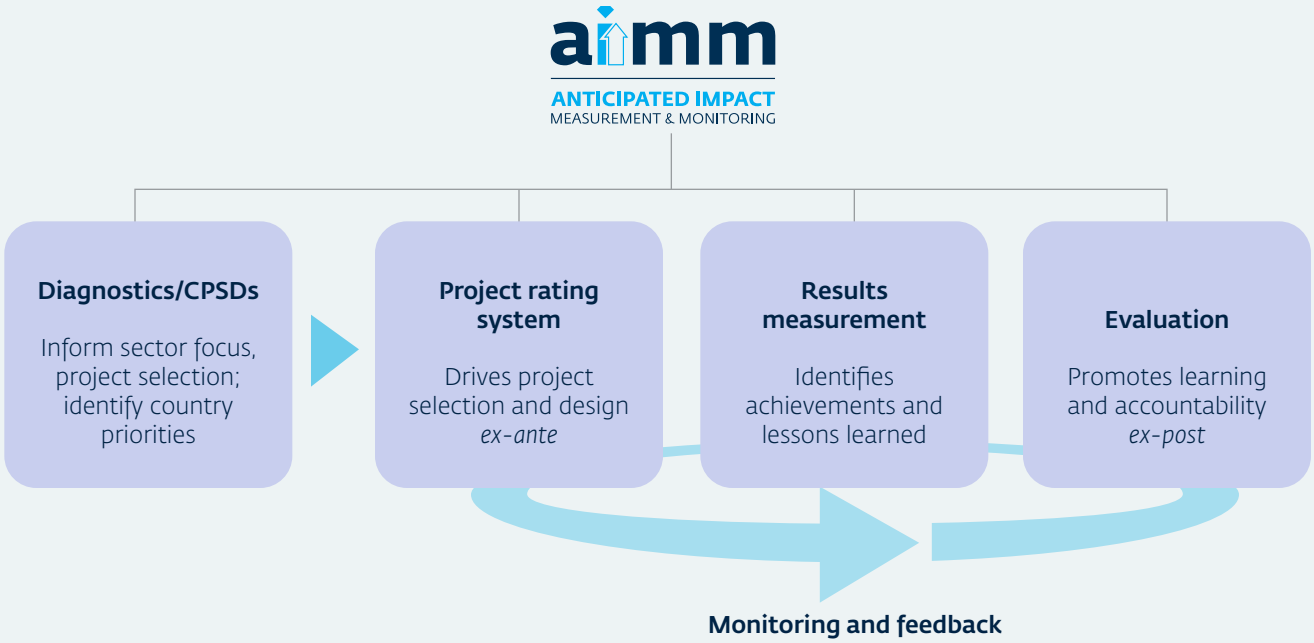
The AIMM framework is designed to assess the expected development impact of IFC's projects, and not its additionality. Development impact refers to the results that the project is expected to deliver while additionality refers to key financial and non-financial value that IFC provides directly to its clients. The articulation of additionality helps IFC to ensure that it is not crowding out other private sector investors.[1] Additionality is a requirement embedded in IFC's Articles of Agreement and a threshold condition for IFC's involvement in a project. Some aspects of additionality, especially non-financial elements, may help generate impact, which are then integrated into the AIMM assessment.

AIMM is an end-to-end system for assessing the impact of IFC investment projects. Projects are designed and selected based on IFC's strategic priorities, World Bank Group country strategies, and IFC's diagnostics like the Country Private Sector Diagnostics (CPSDs). The AIMM system assesses the expected impact for each project and tracks performance in monitoring against expected outcomes over time. The ex-post assessment is based on actual results at the end of the project "impact" life—the final year when IFC expects all project and market outcomes to materialize— and aims to help IFC capture lessons and supports learning and accountability. Complementary ex-post evaluations of selected projects also help identify achievements and lessons from implementation and are further validated by the Independent Evaluation Group (IEG).

1 IFC defines additionality in line with the Multilateral Development Banks' Harmonized Framework for Additionality in Private Sector Operations. See IFC additionality.

Figure 1:

The AIMM Framework as an End-to-End Impact Measurement System




# Principles Underpinning the AIMM Framework

This section describes the five main principles that underpin the AIMM system:

- **Intentionality principle:** Consistent with the Operating Principles for Impact Management[2], IFC provides capital to a project with a specific intent to generate development impact. AIMM relies on identifying the intended use of funds to ground a transaction's development impact thesis. For example, a project may specifically seek to increase access to finance for underserved segments such as micro, small, and medium sized enterprises (MSMEs). The allocation of IFC funding to the target segment is an indicator of intentionality.
- **Core outcomes principle:** Although projects may generate multiple effects (for example, a power project may aim to both increase access to electricity and cut emissions), the AIMM system does not add up all the expected effects to arrive at a rating. Instead, the assessment is based on the strongest expected core outcomes—or the most important outcomes that underpin the development thesis of the project. For example, IFC may provide debt financing to a bank to help SMEs access finance and expand climate finance in the country. If the proceeds are largely used for SME financing and the associated outcomes are rated higher than the climate finance outcomes, then the project rating is driven

2 https://www.impactprinciples.org/9-principles

by the SME aspect of the transaction, with the climate aspect becoming of secondary importance in the overall assessment.

- **Counterfactual principle:** The identification of the counterfactual addresses the question: "What would have happened in the absence of the project?". In line with the Evaluation Cooperation Group's Good Practices,[3] the assessment considers a "no project" scenario even though the project may proceed without IFC financing. This means that for each key project and market outcome driving the AIMM rating, evidence is presented on the project's incremental effects. The exception is with social and environmental effects, where the counterfactual may be "business as usual" and the assessment is made against a baseline defined by industry standards. For equity investments, counterfactual analysis considers the client company's maturity and takes project-specific circumstances into account. For example, for a mature company in distress, the analysis may prioritize the distressed scenario for the company over its growth scenario.[4]
- **Impact-only principle**: Although additionality and strategic alignment matters in project selection, the AIMM system assesses only the expected development impact thesis of each project. Strategic alignment with IFC's strategy in the sector, country, or region and/or financial and non-financial additionality (as noted above) are threshold conditions for IFC engagement and therefore not considered in AIMM.[5]
- **Impact accounting principle:** Some outcomes may affect more than one dimension of the AIMM assessment, which can give rise to double counting of expected effects. For example, a project may be expected to generate both direct employment (employee stakeholder effects) and indirect job creation by suppliers (economy-wide effects). To avoid double counting, the AIMM system assesses only one of these elements, and the other is a complementary effect. At the market level, it is possible that a project may affect more than one market attribute. In such cases, double counting is avoided by anchoring the assessment on the attribute that promises the more relevant impact (consistent with the project's development impact thesis and intentionality) for the project. For example, the demonstration effect from the successful launch of a low-carbon technology for producing cement could drive the market toward both greater competitiveness and sustainability. If the climate mitigation component drives IFC's intention to foster the adoption of production technology by other players in the market, then sustainability would be the primary channel of market impact.

3 ECG Good Practices Standards, Annex III.3: Guidance Note 1: Attributing Outcomes to the Project (https://www.ecgnet.org/content/private-sector-operations?qt-view__documents_details__block_2=4 )
4 See AIMM Guidance on Assessment of Equity Projects.
5 For projects that are part of a programmatic approach, the market rating is based on the expected impact of the program, not the project. The overall AIMM score is determined for each project under the program as project level outcomes may vary.

# The Architecture of the AIMM System

The AIMM system assesses the expected and realized impact of IFC's investments based on: (i) the project's direct and indirect developmental benefits to its stakeholders, the economy, and the environment; and (ii) the project's effects on the structure and functioning of markets, including those catalytic effects that create markets.

AIMM derives ratings for expected project and market outcomes based on the context in which they are expected to materialize. For example, financing a cement project in a low-income context is not the same as financing one in a middle-income one. AIMM focuses both on the severity of the development gap or challenge that the IFC project is trying to address, and on the project's expected contribution to addressing this challenge (project intensity). Similarly, for market outcomes, the assessment of the context within which the IFC operation will be implemented focuses both on the stage of development of the market in the country/region in question, and on how the project could alter the structure or functioning of that market. For example, investing in a project designed to bolster the resilience of a credit market in a less developed market is different than investing in a similar project in a more developed market. For both project and market outcomes, AIMM ratings are determined based on the size of the development gaps being addressed and on projects' expected contributions in that regard. Both types of ratings are then adjusted to reflect the risks of achieving the expected outcomes and converted into quantitative scores.

To guide assessments and ensure objectivity across projects, IFC has developed detailed sector frameworks that lay out the various indicators (qualitative and quantitative) that could be used to assess the development challenge, the project's intensity in addressing it, the stage of market development, and the expected catalytic effects. The frameworks benchmark each indicator to ensure consistent application of the scores and ratings. In all, IFC has developed and applied 29 sector frameworks.

This section elaborates on the various dimensions of the AIMM system architecture.

## Project Outcomes

Project outcomes include both the direct effect on stakeholders and its broader indirect effects on the economy, the environment, and society:

- **Stakeholder effects** capture how stakeholders are directly affected by the project, including customers, suppliers, and employees of the client company, as well as government and local communities. Where the client is a financial intermediary, stakeholders will include borrowers benefiting from improved access to loans or other financial services. In a mining project that has a government concession or is a public-private partnership, for example, the government can be a stakeholder. Employees can be stakeholders if the project generates jobs or enhances working conditions and/or employees' skills.
- **Economy-wide effects** are those direct and indirect effects generated by the project such as indirect job creation in the supply chain, the economy's external balance from the generation of foreign currency, and/or the value added to the economy. IFC uses modeling tools to estimate indirect and induced effects on gross domestic product (GDP) and jobs, where relevant.
- **Environmental and social effects** are considered project outcomes when they directly contribute to sustainability, such as reducing greenhouse gas emissions or improving community livelihoods. The AIMM framework does not assess client actions undertaken solely to comply with IFC's environmental and social performance standards, such as implementing an environmental and social management system or occupational health and safety standards. While these practices help mitigate potential negative impacts, AIMM focuses on environmental outcomes that go beyond compliance. Effects from implementing environmental and social standards are thus only assessed when the investment aims to directly improve environmental or social outcomes.

## Market Outcomes

The AIMM framework views a market as "a dynamic system that encompasses i) the exchange of goods or services between its participants through a price mechanism and other market clearing schemes, ii) institutional arrangements or practices, and iii) supporting functions which shape the way such exchange takes place". Market outcomes are systemic changes catalyzed by the project in the market beyond its direct and indirect effects, including spillover effects. IFC seeks to finance projects that help promote markets that are more competitive, resilient, or sustainable, and AIMM assesses market outcomes based on these attributes:

- **Competitiveness –** Competitive markets allow firms to freely enter or exit, expand, and innovate for efficiency and productivity improvements. Such markets enforce the rules of the game, enable competitive dynamics, and deepen the physical, financial, or digital linkages that support the smooth flow of products, services, information, and capital. A project may support IFC's client to introduce innovative and efficient products, services, and practices to the market, encouraging other players to replicate.
- **Resilience –** Resilient markets anticipate, survive, adapt, and grow from the effects of acute shocks and chronic stresses in a timely and efficient manner, ensuring the preservation, restoration, or improvement of their essential basic structures and functions. Such markets can adapt and evolve in response to negative shocks, including through diversification (of inputs, products, or markets) to minimize market dependencies, the introduction of innovative technologies and production processes resilient to shocks and stresses, and improved regulation and market infrastructure to lower systemic risks. An IFC project may help the market withstand physical, financial, negative economic shocks and stresses and maintain its functioning in the face of such shocks.
- **Sustainability –** Sustainable markets intend to improve the social wellbeing of underserved groups and the long-term state of the environment by supporting fair and full access by marginalized groups to goods and services, finance, and economic opportunities. They also have the capacity to face environmental challenges, for example, through the adoption of innovative technologies (such as climate smart technologies). An IFC project may encourage firms and consumers to adopt climate-related, environmentally and socially sustainable products, technologies, and practices.

## Risk Assessment

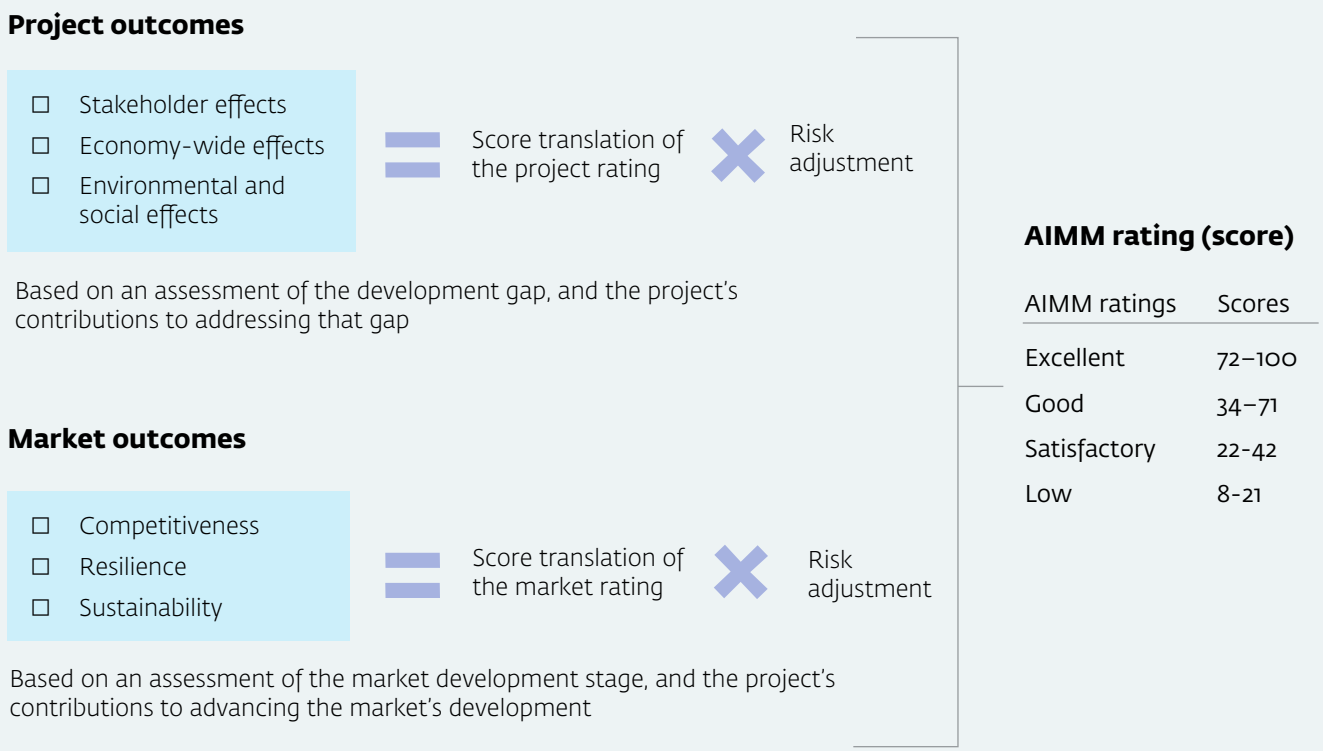
The AIMM methodology also considers the risks to the achievement of expected project and market outcomes and applies a discount factor to adjust ex-ante project scores based on the level of risk. The AIMM system employs a two-tier risk assessment mechanism that assigns an "Unqualified" (UQ) rating to low-risk dimensional assessments (no discount) while high-risk dimensional assessments get a "Qualified" (Q) rating (with a discount of 0.25).

# Assigning AIMM Ratings: Project and Market Outcomes

AIMM ratings reflect evidence-based judgments based on qualitative and quantitative data. AIMM identifies expected project and market outcomes, assigns qualitative impact potential and risk ratings to each, and converts the qualitative ratings into quantitative scores to derive an overall AIMM score[6] (Figure 2). Where data is insufficient IFC's internal research and industry expertise informs the assessment. The rating methodology follows the Evaluation Cooperation Group's Good Practices on evaluation metrics, benchmarks, and ratings. This section discusses the methodology for determining project and market outcome ratings.

Figure 2

## Assessing Project and Market Outcome




6 For clarity, a "rating" refers to a qualitative assessment (marginal, moderate, strong, or very strong) whereas a "score" refers to the rating's quantitative counterpart (a number).

## Assessment of Project Outcomes

The AIMM framework derives the project outcome rating by combining the development gap (context in which the project operates) and the project intensity (level of ambition of the project to address the gap) as described below. Once the development gap and intensity are determined, a qualitative rating matrix is used to derive the project outcome rating using a four-point scale: Marginal, Moderate, Strong, and Very Strong (Appendix 1 describes the ratings).

### *Gap Assessment*

When assessing project outcomes, the first step is to determine the size of the development gap that the project seeks to address. Projects that address larger gaps have a greater potential for generating development impact. Sector frameworks identify gap indicators that are used to assess the context in which different projects operate. Sector frameworks provide benchmarks for the size of the development gap by comparing each indicator across countries in which IFC operates. This helps to identify where a country falls in the gap spectrum, which is divided into four categories: Small, Medium, Large, and Very Large. The assessment thus sets out the sector-specific context for the country where IFC's investment project will be implemented.

Country gaps reflect contextual features that are independent of the project. The gap assessment should largely reflect the situation of the country where the bulk of the financing will be deployed. When no hard data is presented to support the size of the development gap, Sector Economists will determine this based on judgment and available evidence. For instance, in low-income countries where there may be insufficient information, a conservative approach is applied in the assessment, which assumes that the gap is Medium.

### *Intensity Assessment*

The next step is to assess the extent to which the project is expected to address the gap—the impact intensity. This measures the strength of the project's expected impact, which is closely linked to the targets set for the project's core outcome indicators. Like the gap analysis, the intensity assessment is relative and is based on benchmarks for relevant intensity indicators, predetermined in the relevant AIMM sector frameworks. The benchmarking of project intensity may be based on IFC's portfolio performance, or on the advice of IFC industry specialists if quantitative benchmarking is not feasible. The impact intensity of a project is assessed as Below Average, Average, Above Average, or Significantly Above Average compared to projects of comparable cost, in the same sector, and with a similar timeline. For example, indicators may be normalized relative to the cost/size of the intervention to help ensure that small, well-targeted projects are not penalized. When there is no evidence to support the assessment of project intensity, Average intensity is applied.

## Assessment of Market Outcomes

Market outcome ratings are based on the market's stage of development and the project's expected type of catalytic effect. The AIMM system combines the assessment of market stage and the type of market effect to produce a market outcome rating. Ratings can be Marginal, Moderate, Strong, or Very Strong (Appendix 2 describes the ratings).

### *Characterization of Market Stage*

The assessment of market outcomes starts with the characterization of the stage of market development in the target sector. Sector frameworks articulate the specific market typologies that describe the stages of market development for a given sector, ranging from Highly Underdeveloped to Highly Developed (see Table 1). Market stage characterization may vary by market attribute. For example, a market may be assessed as Moderately Developed for competitiveness but Highly Underdeveloped for sustainability.

Table 1

## Market Stage Descriptions

| | |
|---|---|
| **Highly Underdeveloped** | Markets with no local operations in the sector of interest, no private players or dominant state ownership, high market concentration (for example, monopolies), low quality standards and practices, and low efficiency and innovation. |
| **Underdeveloped** | This stage ranges from predominantly state controlled markets and dominance of operations, to a single or a few private structured operations, to completely unstructured private operations. Local private operations are limited to importing and distribution, and possibly unstructured production by SMEs. This stage is often characterized by one dominant local champion that may be either public or private. |
| **Moderately Developed** | Such markets are characterized by a combination of structured and unstructured private operations that are sizable relative to the overall market. There is some formal local production, with imports largely under open trading regimes, or local production that is dominated by foreign-owned companies. There are usually several large firms in the market, including at least one local champion. |
| **Highly Developed** | This stage ranges from well-functioning markets—characterized by mostly structured operations/market elements and ranked among the top performers in developing countries—to markets operating under the best global structure, standards, and practices. Production is local, with a mixture of imports under open trading regimes, exports are competitive, and there are strong domestic producers alongside foreign-owned companies. |

## *Assessment of Market Catalytic Effects*

The next step is to assess the expected market catalytic effects of the project. The AIMM system assesses expected market outcomes based on two factors: the project's degree of innovation (Low, Medium, or High) and the potential for scalability (Low or High).

**Innovation** is the implementation of new or significantly improved products, services, processes, practices, and marketing and organizational methods compared to existing norms. For example, a project may be highly innovative if it supports the introduction of a novel product, service, technology, business model, or practice in the market. Innovation may include several incremental changes, such as improving operational efficiency and adopting new business practices to improve the quality of a product or service over several delivery channels.

**Scalability** broadly encompasses two features, one related to the innovator and the project it is promoting, the other to the enabling conditions. The first feature of scalability relates to the visibility of innovation in the market. The second feature includes the elements that affect broader market uptake of the innovation, such as customer demand; competition policy and existing competitive pressures; the innovator's strategic linkages with other firms and public or private research institutions; the infrastructure and institutional framework; other firms' capabilities to understand, replicate, adapt, or respond to the innovation; and/or overall human capital in the economy, as relevant for the market analysis. Therefore, high scalability means high visibility of the project in the market, which is expected to deepen the demonstration effects in an environment of low barriers to entry of new competitors, and strong local enabling conditions (in terms of access to human capital and supply chains, for example) that would enable innovation to scale in the market.

Scalability and innovation translate into market catalytic effects through one or more of the following channels:

- **Demonstration and replication effects:** When an IFC project introduces an innovation into the market, it may encourage other players in the market to replicate. The innovation may bring international standards or best practices, efficiency gains, and market opportunities that are attractive for other players to adopt. The analysis of this channel can be guided by the following questions: How many competitors are there in the market? Is the innovation clearly identified so competitors may replicate it? What are the capabilities of incumbent or potential players to enter the market, acquire the technology, or adopt the business or pricing model?
- **Competitive pressure:** The project's innovation may promote competition in the market. Such pressure may be fostered by competition policy, which levels the playing field for other firms to respond to new sources of competition and consumer demand, and shapes customer preferences. The analysis of this channel can be guided by the following questions: Is the project supporting novel products or standards that can change market dynamics? Does the innovation lead to visible cost reductions or efficiencies that can spur competition?
- **Economic networks:** A connected set of market participants that derive shared economic outcomes from the links between them facilitated by market integration, platforms, or value chains.[7] Economic networks include market integration (whether physical, digital, financial, or legal and regulatory), the existence of enabling platforms, and value chain development. The channel can be analyzed by reflecting on the following questions: Does the project have an advisory component that strengthens market institutions to enable more private investment and/or eliminate market friction and deepen value chain linkages? Does the project promote digital/physical/financial connectivity to enable private investment?

7 Economic networks should not be confused with "network effects", which are a dedicated concept in network industries to designate the sectors in which the valuation of a product increases with usage.

- **Human capital and technical capabilities:** Many nascent and underdeveloped markets are held back by a shortage of skilled workers, such as engineers, doctors, and investment advisors. Organizations may lack the requisite know-how. On-the-job learning can instill critical skills (especially in knowledge-intensive sectors such as IT, data science, and telecommunications), and labor mobility and/or collaboration between companies can spread know-how throughout the market. Human capital and technical capabilities underpinned by appropriate research and education policies, innovation policies, and capacity development, in combination with public sector institutions that inform or drive market changes (such as public-private partnership units, competition authorities, patent offices, regulators), can create systemic changes in the market. The following questions can aid analysis of this channel: Is there a significant capacity-building component for the project? Will that component benefit only the IFC client, or other companies as well?

The market effects can be Modest, Sustaining, Deepening, or Transformational (see Table 2) depending on the degree of innovation and scalability (Table 3). Transformational effects may be achieved by projects that support the creation of entirely new markets or result in large systemic changes to existing markets. Projects that support the evolution of existing markets to enhance performance across a range

Table 2

## Types of Market Effects

| Market effect | Description |
|---|---|
| **Transformational** | Projects or programs that create systemic changes in key market characteristics by substantially increasing productivity, reducing costs, overhauling the market structure, or introducing other forms of disruption that can be replicated or contested by other firms through innovation. |
| **Deepening** | Projects or programs that help deepen an existing market by enabling new players to enter competitive markets and/or improving or expanding incumbents' existing products, processes, business models, or supply chains—relative to ongoing trends. |
| **Sustaining** | Projects or programs that support the continued functioning of existing markets without substantially altering their structure by helping incumbent companies either continue their growth path or catch up with other leading companies. They include counter-cyclical responses to keep market activity steady during different business cycle phases or shocks. |
| **Modest** | Projects support at best the continuous micro innovations by individual firms (such as marginal innovations derived from tacit knowledge embedded in the routines of firms and their employees and suppliers) that can be invisible or hard to quantify at an individual firm level. |

of desired outcomes—such as efficiency, customer reach, size, or advancements in practices create market deepening effects. Market sustaining effects are achieved by projects that simply help reinforce an existing positive trend or curb a reversal. Finally, some projects may generate modest effects in the market by supporting continuous micro innovations (such as efficiency improvements from learning by doing or from tacit knowledge embedded in the routines of firms and their employees and suppliers). IFC investments identify indicators to track the scalability or innovation effects, as informed by the relevant sector framework.

This approach also applies to situations when the market is facing severe negative shocks or protracted fragility that can have negative structural effects or create setbacks on the market exchange, institutions, or supporting functions. For such situations, market preservation becomes more relevant than innovation, even though there may be cases when innovation helps ensure that structural vulnerabilities are addressed sustainably. Scalability remains important. For example, in cases where the market features a systemic player, the fate of the firm can drive market effects. This is the case when the only player is a natural monopoly, or when the market is subject to contagion risk. In the banking sector, the notion of systemically important financial institutions has long been scrutinized by regulators. The catalytic effects associated with market-preserving interventions may be assessed as "market sustaining" effects under the framework.

Table 3

## The Intensity of Market Catalytic Effects

| | | Degree of innovation | | |
|---|---|---|---|---|
| | | **Low** | **Medium** | **High** |
| **Degree of scalability** | **Low** | Modest | Sustaining | Deepening |
| | **High** | Sustaining | Deepening | Transforming |

## The Role of Sector Frameworks

The AIMM methodology follows the Evaluation Cooperation Group's Good Practices for ex-ante project assessment systems. These practices require a definition of the theory of change for each project that maps the project's outputs to its outcomes and their effects on key stakeholders, the wider economy, environmental and social sustainability, as well as how the outcomes contribute to the market's development.[8]

The AIMM system employs a set of sector frameworks that define the possible development impact thesis for each sector.[9] The development impact thesis links the project's main objectives to the development gap that it seeks to address, as well as the expected development outcomes. The thesis is presented as a results logic that maps outputs (such as channeling financing to private equity investees) and outcomes (such as growth of investees businesses) to relevant stakeholders, showing clear channels of contribution and scope. The sector frameworks define a subset of core outcomes reflecting the key impacts that IFC's interventions can have in the sector. Each outcome is substantiated through predefined indicators in the sector frameworks.

Sector frameworks also benchmark the development gap and project intensity assessments to ensure objectivity in the assessment across projects in a sector. For example, development gaps are benchmarked across all emerging markets (IFC countries of operation)[10] This allows comparisons between, and within, emerging markets (low- and middle-income countries). The benchmarking exercise highlights differences between more developed countries and those with difficult market environments—such as those that are eligible for International Development Assistance or are considered fragile and conflict-affected states. In most cases, benchmarking will generate wider gaps and challenges in such countries. All else equal, projects in countries where the development gaps are wider will have higher development impact potential. The gap assessment is thus a relative analysis, which means that although markets with small gaps may have significant development needs on a standalone basis, their needs are smaller when compared to those with large gaps.

Similarly, sector frameworks benchmark key project outcome indicators to ensure that the project intensity is assessed objectively. Project outcome indicators are benchmarked primarily against industry/sector standards, as data availability permits. In other cases, benchmarking may be based on comparisons with previous IFC operations in the sector.

Cross-project comparisons consider both the size of the operation and that of the target market through a normalization process.[11] For instance, the measure of an SME financing gap is not just the absolute size of that gap in access to SME finance. Rather, it is the size of the gap relative to the size of the economy (or GDP). The AIMM framework thus assesses projects in larger economies (such as India) on the same basis as smaller economies (such as Sierra Leone). Similarly, the framework normalizes expected core outcome/intensity indicators by the size of the operation. In most instances, project size is defined as the total value of the investment, which includes all incremental debt, equity, and internally generated cash flows. In such instances, outcome intensity is assessed per millions of dollars invested, not just the absolute project size.

Sector frameworks also define the stages of market development using a standardized continuum—Highly Developed, Moderately Developed, Underdeveloped, Highly Underdeveloped—based on market characteristics. They define the core elements to be considered when assessing the degree of innovation and scalability to identify the type of expected market catalytic effect. The framework also provides a menu of indicators that can be used to assess the expected catalytic change in the market.

8 Getzel, B. and Gregory, N. (2024) MDB approaches to impact measurement and reporting. London: ODI (chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://media.odi.org/documents/MDB_approaches_to_impact_measurement_and_reporting.pdf)

9 See https://www.ifc.org/en/our-impact/measuring-and-monitoring for a list of sector framework briefs.

10 Includes all low-income, middle-income countries, and some high-income countries (such as Argentina) where market institutions and markets are significantly underdeveloped relative to other high-income countries. Current countries with lending and advisory services operations are available at: http://projects.worldbank.org/country?lang=en&page=

11 The approach is different for projects providing equity to companies in early stages of growth, such as start-ups.

# Deriving the Project AIMM Score

## Adjustment for Risk of Achieving Expected Outcomes

The risk assessment distinguishes between the potential project and market outcomes that an investment expects to deliver, and what it could realistically achieve, taking the contextual factors into consideration. For project outcomes, the AIMM system assesses three broad categories of risk factors: (i) operational risks; (ii) sector-specific risks; and (iii) broader country risks, including macro-financial and policy risks (Table 4). For projects that are eligible for climate or inclusion adjustments, the assessment must include risks associated with the achievement of the relevant climate and inclusion outcomes.

The market outcomes rating is also adjusted for risk, including sector-specific risks, and country risks such as macro-financial and political economy or policy/regulatory risks that may constrain systemic market change. Examples

Table 4

### Examples of Risk Factors for Project Outcomes

| Operational risks | Sector-specific risks | Broader country risks |
|---|---|---|
| The experience and track record of the sponsor | Sector-specific regulatory risk assessments | Macroeconomic outlook, political and regulatory outlook |
| The financial strength and technical/ operational capacity of the sponsor | Degree of competition, and contestability | Commodity cycles and credit cycles |
| Project design, novelty, and complexity | Other sector-related technological changes | Country regulatory, policy, governance, and other business-related factors |

| Unqualified risk rating | Qualified risk rating |
|---|---|
| Anticipated project outcomes are highly achievable within the timeframe established either because expected risks are low or mitigable. | Anticipated project outcomes are achievable within the timeframe established but are highly exposed to material expected risks. |

include systemic risk, government openness to private sector participation, competition policy, and trade barriers (see Table 5). The assessment of scalability focuses on elements that are influenced by the project, that is, IFC is making some contribution to changing the status quo (for example, through upstream advisory services), while risk factors for market outcomes are not connected to project (such as macroeconomic conditions).

Several factors that enhance the visibility of the demonstration effects in the market, such as the client's dominant market position, are used to assess scalability and are therefore not considered a risk factor. Also, if the project is part of a programmatic approach that entails a series of projects accompanied by a World Bank Group effort to create an enabling environment for market changes, this will underpin the assessment of scalability and will not be duplicated in the risk assessment. Therefore, when assessing the risk of achieving market outcomes, IFC focuses on factors that have not already been captured in the assessment of the market outcomes ratings.

Table 5

## Examples of Risk Factors for Market Outcomes

| Sector-specific risks | Broader country risks |
|---|---|
| Level of ambition of market outcome targets | The country has a history of unpredictable policy / regulatory changes with limited transparency where key commercial and regulatory decisions are taken with limited stakeholder consultation |
| Regulatory constraints present in the sector | Government capacity and track record to enforce regulations |
| Sector's exposure to international competition (imports/ exports) and spillovers (trade links) | State of the global economy; price trends; conditions for imports/exports |
| Quality of corporate governance in the sector | The investment operates in a volatile environment due to credit, macroeconomic, and political risks even with explicit risk insurance cover (in fragile and conflict-affected states, for example) |

| Unqualified risk rating | Qualified risk rating |
|---|---|
| Anticipated market outcomes are highly achievable within the timeframe established either because expected risks are low or mitigable. | Anticipated market outcomes are achievable within the timeframe established but are highly exposed to material expected risks. |

## Computing the Overall AIMM Project Score

The quantitative AIMM score is a mechanical conversion of the qualitative potential ratings using predefined numerical points shown in Table 6. Once the potential rating is assigned points, it is multiplied by the corresponding risk adjustment factor. The final score is the sum of the risk-adjusted points for project and market outcomes, individually rounded to the nearest multiple of 2. For example, a project with an Unqualified rating of Strong for project outcomes will be assigned a score of 52 (Good).

**Using Table 6, this score is derived as follows:**

1. Compute the numerical points for a potential rating of Strong-Unqualified for project outcomes (30 x 1.00 = 30)
2. Compute the rating of Strong-Qualified for market outcomes (30 x 0.75 = 22.5 = 22 when rounded to the nearest multiple of 2)
3. Add the two to obtain a score of 52 (30 + 22 = Good).

**Adjustments:** The AIMM system adds 10 points to the overall score of projects that make a material contribution to climate and/or inclusion, based on strict eligibility criteria linked to the level of ambition embedded in their expected results in those areas. Not every climate or inclusion related outcome will qualify for the adjustment.

Table 6

### Numerical Conversion of Qualitative Ratings to Derive AIMM Score

| Potential scores | | Risk assessment factor | | AIMM ratings (score) | |
|---|---|---|---|---|---|
| Very Strong | 50 | Unqualified | 1.00 | Excellent | 72—100 |
| Strong | 30 | Qualified | 0.75 | Good | 43—71 |
| Moderate | 12 | | | Satisfactory | 22—42 |
| Marginal | 4 | | | Low | 8—21 |

# AIMM Monitoring

AIMM monitoring aims to track the performance of projects by comparing actual data reported on results indicators during the implementation of project and market outcomes relative to targets. It offers opportunities for course correction, and lessons for improvements in the design of future projects. A project enters the portfolio monitoring phase in the first fiscal year following its commitment. Once the project starts reporting results data for outcome indicators, the AIMM monitoring assessment may produce different ratings than those assigned ex-ante.

IFC collects data from its clients annually[12] and AIMM monitoring assessments are also undertaken annually. As systemic market effects take longer to materialize, the monitoring of market outcomes occurs once in the lifetime of an investment at the target year for market outcomes, in other words, the year in which all market outcomes are expected to materialize. This is typically at the end of the fifth year. At that time, the project is assigned a final AIMM score based on the assessment of both project and market outcomes.

12 Data on actual results is collected annually from real sector clients, or through surveys for financial operations.

# Appendices

## Appendix 1: Project Outcomes Ratings

| Rating | Mechanical rating outcomes | Project characteristics |
|---|---|---|
| Very Strong | The projects have either:<br>• Significantly Above Average impact intensity in countries with large gaps.<br>• At least Above Average impact intensity in countries with Very Large gaps. | This includes the implementation of projects that, through new business models or technologies, can reach a significantly higher number of customers or deliver improvements in pricing and/or quality well above industry averages, and that introduce these solutions in countries with critical needs in the sector. |
| Strong | The projects have either:<br>• Average impact intensity in countries with Large or Very Large gaps.<br>• Above Average impact intensity in countries with Medium to Large gaps.<br>• Significantly Above Average impact intensity in countries with Small to Medium gaps. | These correspond to successful new or ongoing business models that are expected to deliver development outcomes above the sector's norm, and not necessarily in countries with Very Large gaps. |
| Moderate | The projects have either:<br>• Average impact intensity in countries with Low to Medium gaps.<br>• Below Average impact intensity in countries with at least Medium gaps.<br>• Above Average impact intensity in countries with Small gaps | Many of the projects that fall into this category include new or repeat business that supports the expansion of well-functioning but standard business models. |
| Marginal | The projects in this category have Below Average core impact intensity in countries with Small gaps | These cases should be rare as IFC interventions are usually designed to either support existing standard business models, or innovative business models that deliver at least Average impact intensity. |

# Appendix 2: Market Outcomes Ratings

| Rating | Mechanical rating outcomes | Market creation characteristics |
|---|---|---|
| Very Strong | Assigned to projects in:<br>• At least Moderately Developed markets with Transformational market effects.<br>• Highly Underdeveloped markets with Deepening market effects. | • Creating a nascent market where one did not exist or taking very underdeveloped markets to more advanced stages.<br>• Supporting private first movers in markets or market niches that are fully state controlled, completely unstructured, or where the market niche has largely been unexplored.<br>• Introducing structured business models, products/services, technologies, or standards into early-stage, underdeveloped markets that can be replicated to take the market to a moderately developed stage, and disruptive technologies/ business models in more developed markets. |
| Strong | Assigned to projects in:<br>• Highly Developed markets with Transformational market effects.<br>• Moderately Developed markets with Deepening market effects.<br>• Underdeveloped markets with Deepening/Sustaining market effects.<br>• Highly Underdeveloped markets with Sustaining market effects. | • Supporting innovative business models, standards, or practices that have the potential to change the way the entire market operates for the relevant market attribute and thus can move the market to a more advanced stage.<br>• Interventions that trigger relatively moderate improvements that maintain the market at the same stage, but that take place in early-stage, underdeveloped markets.<br>• Interventions that directly ensure the survival of the market. |
| Moderate | Assigned to projects in:<br>• Highly Developed markets with Deepening market effects.<br>• Moderately Developed markets with Sustaining market effects.<br>• Underdeveloped markets with Modest market effects.<br>• Highly Underdeveloped markets with Modest market effects. | • Limited systemic effects on the market that will not move it to the next stage of development. For example, supporting expansion of existing business models with limited innovations (such as some additional coverage or deepening) over the current market norm, but not changing the market development stage.<br>• Counter-cyclical interventions to preserve the current stage of the market. |
| Marginal | Assigned to projects in either:<br>• Highly Developed markets with Sustaining or modest effects.<br>• Moderately Developed markets with Modest market effects. | • Very limited potential for systemic impacts, and preservation of the market's status quo.<br>• Continued support for existing business models that have been in place for a while, and which may contribute to some market growth, but result in no systemic change. |