



How IFC Measures the Development Impact of Its Interventions



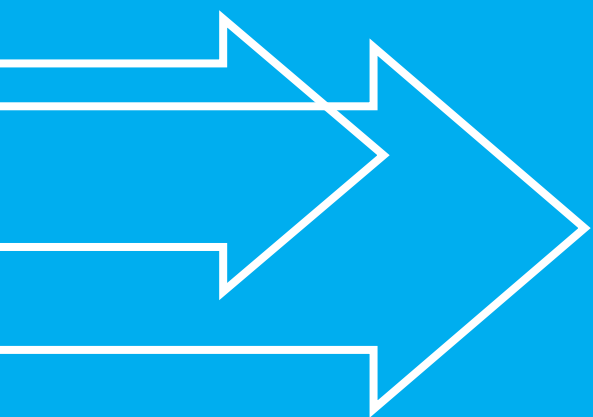
aiimm
ANTICIPATED IMPACT
MEASUREMENT & MONITORING



IFC

International
Finance Corporation
WORLD BANK GROUP

IFC's strategy firmly places development impact at the heart of what we do. In 2017, IFC developed an ex-ante impact assessment tool—**the Anticipated Impact Measurement and Monitoring (AIMM) system**. The tool enables us to better define, measure, and monitor the development impact of each project. IFC currently scores all of its investment projects for development impact using the AIMM system. The AIMM system is now fully integrated into IFC's operations, allowing development impact considerations to be weighed against a range of strategic objectives, including volume, financial return, risk, and thematic priorities.



What is the AIMM system?

The AIMM system enables IFC to measure the development impact of its investment projects. The AIMM system helps operationalize IFC's strategy by providing a robust operational framework that:

- ➔ **Improves our ability** to select and design projects that maximize our development impact
- ➔ **Strengthens our capacity** to deliver an optimal mix of projects that generate both high development impact and solid financial returns
- ➔ **Provides an “end-to-end” approach to results measurement** by linking ex-ante assessments with ex-post monitoring

The AIMM system provides a clear line of sight from IFC's mandate to the World Bank's goals and the Sustainable Development Goals (SDGs). AIMM seeks to capture core development outcomes. By design, the AIMM system measures project-level outcomes and systemic market-level outcomes of IFC's investments in the market against objectives that are associated with the SDGs and helps IFC contribute to achieving the World Bank Group's goals of ending extreme poverty and promoting shared prosperity on a livable planet.

The AIMM system incorporates several innovative approaches to assess development impact



It considers both context through sector-specific development **gap assessments** and project design features through an **assessment of the project intensity**—the extent to which a project contributes towards addressing the gap.



It draws on a reservoir of over 500 **gap indicators** and nearly 600 **intensity indicators** across 27 sector frameworks developed to date. For each of these indicators, **normalization** (as possible) and **benchmarks** have been created, using available data, evidence, and technical expertise within IFC, the World Bank, and other recognized external sources, including partner development finance institutions.



It considers a range of **environmental effects** (e.g. climate mitigation, climate adaptation, and biodiversity improvements).



It expands the standard focus on direct stakeholder effects by including economy-wide effects, which are estimated based on the most relevant **economic modeling techniques**.



It expands the focus on direct effects by including explicit **catalytic or systemic effects** on markets.

How does the AIMM system assess development impact?

The AIMM system evaluates a project's development impact along two dimensions



DOMINIC CHAVEZ/IFC

Project outcomes

These refer to a project's direct effects on stakeholders (including employees, customers, suppliers, and the community); the direct, indirect, and induced effects on the economy and society (e.g. jobs and value added) overall; and the effects on the environment.



MWARV FOR IFC

Market outcomes

These refer to a project's ability to catalyze systemic changes in markets by influencing the behavior of other players making markets more competitive, resilient, and sustainable.

Project outcomes

Along the project outcome dimension, the AIMM system assesses a project's effects on stakeholders, the economy, as well as the environment and society.



Stakeholder effects assess the incremental benefits that accrue from an IFC intervention to the customers, suppliers, and employees of the company receiving financing, as well as local communities. In cases where the client is a financial intermediary, stakeholders will include recipients of loans or other financial services.



Economy-wide effects are those indirect or induced economic outcomes, including externalities and spillovers that are generated by the project's linkages to the economy. When relevant, IFC uses economic modeling tools to estimate these effects (mainly on value added and job creation).



Environmental effects relate to environmental outcomes such as the avoidance or reduction of GHG emissions or the increase of GHG sequestration, enhanced resilience to climate risks, protection, maintenance, and enhancement of biodiversity and ecosystem services.

Market outcomes

For market outcomes, the AIMM system assesses the degree to which an intervention improves the structure and functioning of markets by promoting one or more of the following objectives.



Competitiveness: Competitive markets are those where firms can effectively enter, exit, and compete, innovating and striving for efficiency under essential regulatory and government intervention. These markets also support product or process innovation, improved management practices, and/or lower product cost.



Resilience: Resilient markets can anticipate, survive, adapt to, and grow from acute shocks and chronic stresses. They adapt through diversification of inputs, products, or markets, introduction of shock-resilient technologies and processes, and improved regulation and market infrastructure. Resilience highlights the ability to curb contagion risks and sustain operations during crises.



Sustainability: Sustainable markets exchange goods and services considering environmental and social value, risks, and opportunities. They aim to improve social wellbeing and maintain long-term environmental health. Sustainable markets focus on inclusivity, ensuring fair access by marginalized groups to goods, services, finance, and economic opportunities, addressing global ecological and social challenges.

The characterization of market catalytic effects in AIMM is anchored by two assessments: degree of innovation and scalability.

Innovation is defined as the implementation of new or significantly improved products, services, processes, practices, and marketing and organizational methods compared to the status quo or to existing norms. For example, a project may be deemed as highly innovative if it supports the introduction of a novel product, service, technology, business model, or practice in the market. Innovation may also 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 assessments take into account two features that IFC projects may promote. The first relates to the visibility

of the innovation in the market that is based on factors such as the position of the firm in the market, or whether IFC's financing includes multiple participants. The second includes elements that influence market uptake of the innovation such as customer demand, competitive pressures, the innovator's strategic linkages with other firms and public or private research institutions, and the capacity of other firms to understand, replicate, adapt or respond to the innovation.

AIMM characterizes market catalytic effects as **transformational, deepening, sustaining** or **modest** based on the nature of a project's degree of innovation and scalability.

- ➔ **Transformational** projects or programs bring about systemic changes in key market characteristics, by substantially increasing productivity or overhauling the market structure, in ways that can be replicated or contested by other firms.
- ➔ **Deepening** projects or programs help deepen an existing market by enabling new players to enter normally competitive markets and/or improving or expanding incumbents' existing products, processes, business models, or supply chains—relative to ongoing trends.
- ➔ **Sustaining** projects or programs 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.
- ➔ **Modest** market impact is expected of investments that may not introduce any visible innovations or where market effects are not measurable.

AIMM building blocks

IFC has developed over two dozen sector frameworks to assess projects across all four IFC industries:

- ➔ Financial Institutions Group (FIG)
- ➔ Manufacturing, Agribusiness & Services (MAS)
- ➔ Infrastructure & Natural Resources (INR)
- ➔ Disruptive Technologies and Funds (CDF)

These sector frameworks are a step-by-step guide to assessing IFC projects, providing an analytical frame to facilitate judgments of a project's expected outcomes and contribution to market creation. They articulate the development impact thesis for IFC's activity in a sector, define benchmarks for the assessment of gaps and intensities, and identify core project outcomes.

The sector frameworks help circumscribe AIMM rating judgments, promoting rigor and evidence-based assessments. We periodically update the sector frameworks to align with current best practices and developments in the sector as well as ensure that the frameworks address issues identified during implementation. While the frameworks are sector-specific, the

rating methodology is universal across sectors. It provides rating conventions for core impact claims and risk assessments.

The rating methodology aids the assessment of the desired effects by assigning ratings in four areas:



Gap: How big is the problem IFC seeks to address?



Intensity: How much does the project contribute to the solution?



Impact potential: Based on the problem and contribution, what is the potential to deliver desired effects?

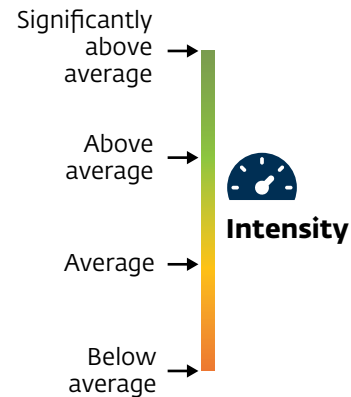
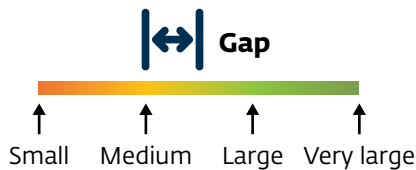


Risk: What are the estimated risks associated with achieving the development outcome targets for IFC's investments?

Summaries of all the sector frameworks are publicly available on IFC's external website at www.ifc.org/aimm to practitioners and the development community for continuous feedback.



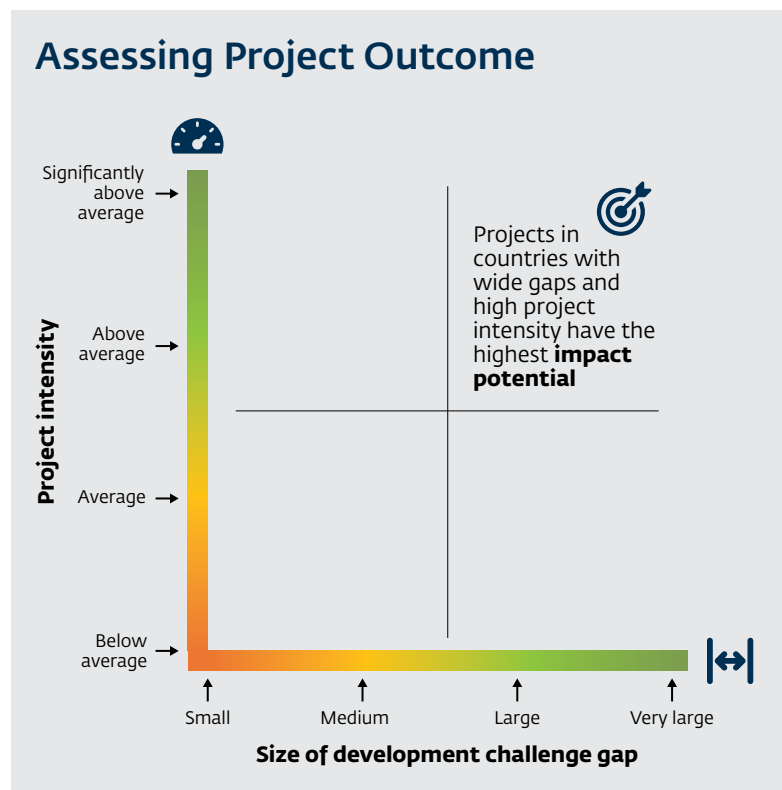
Impact potential

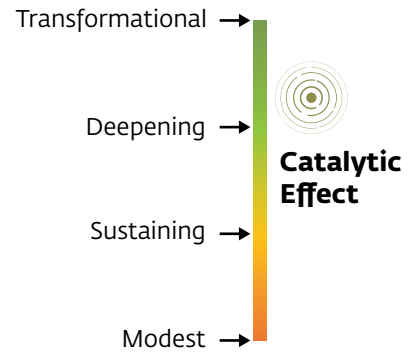
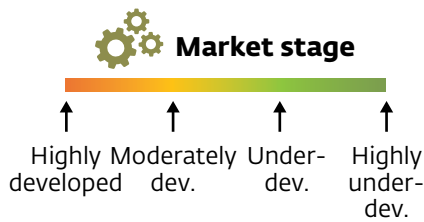


Along the **project outcomes** dimension, the **gap** analysis is an assessment of the relative size of the development challenge that each desired effect is addressing. When compared to other IFC emerging market and developing countries within the same sector, the gap assessment will identify where a country falls along a spectrum.

Once a gap assessment is paired with an intensity assessment, an overall **potential impact** rating is assigned. The potential for a particular effect to generate impact is a function not only of the magnitude of the problem (how wide the gap is), but also the effectiveness of the intervention (its intensity). This approach gives greater weight to projects addressing wider development gaps and/or to projects that are innovative or creatively designed to deliver outcomes efficiently.

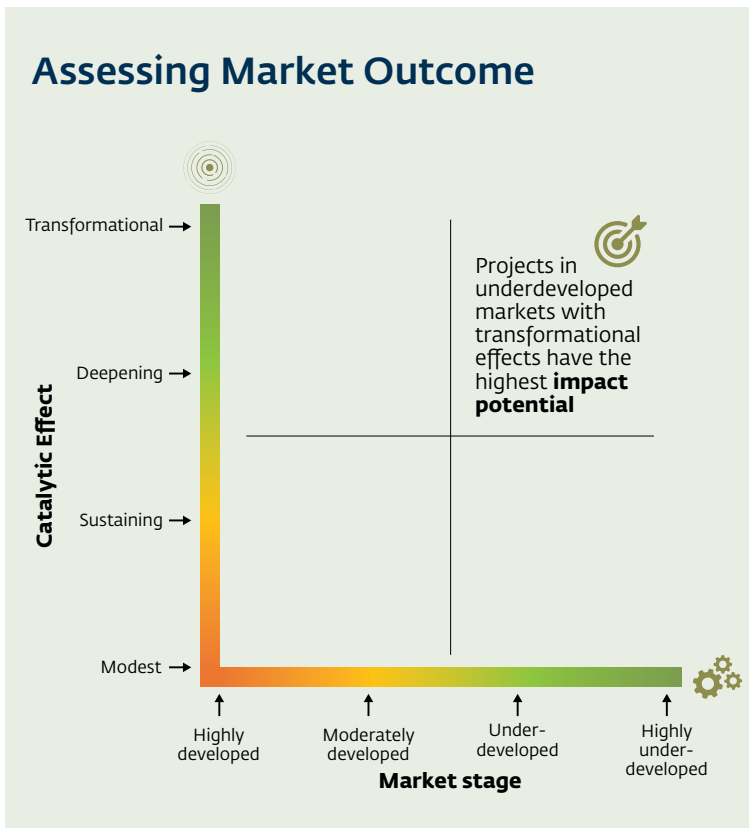
A project's contribution to overcoming development gaps is measured by its **intensity**. Along the project outcomes dimension, project effects are assessed for the degree to which they are contributing to a solution. The assessment is based on sector-specific benchmarks that are normalized so that small but well-targeted projects are not penalized (as much as possible).





Along the **market outcomes** dimension, a similar gap assessment is made using market typologies to describe different **stages of market development**. The market outcomes dimension assigns stages to market development for each of the three market attributes. The AIMM system defines how developed the market is by situating the market of interest in one of these stages.

A project's contribution to improving the structure and functioning of markets is measured by an assessment of market catalytic effects. A judgment is made as to the nature of the project's contribution to the promotion of identified market attributes : is the catalytic effect transformational, deepening, sustaining, or modest?



Once a market stage assessment is paired with a type of catalytic effects, an overall potential impact rating is assigned. The potential for a systemic change in the market is a function of both the stage of market development and the catalytic change that IFC expects its project to generate. The rating system gives greater weight (assigns higher potential ratings) to effects that address the widest development gaps in less developed markets.

Detailed mappings of market gaps and stages along with potential project intensities and types of market catalytic effects are set out in the respective sector frameworks.

Risk Assessment

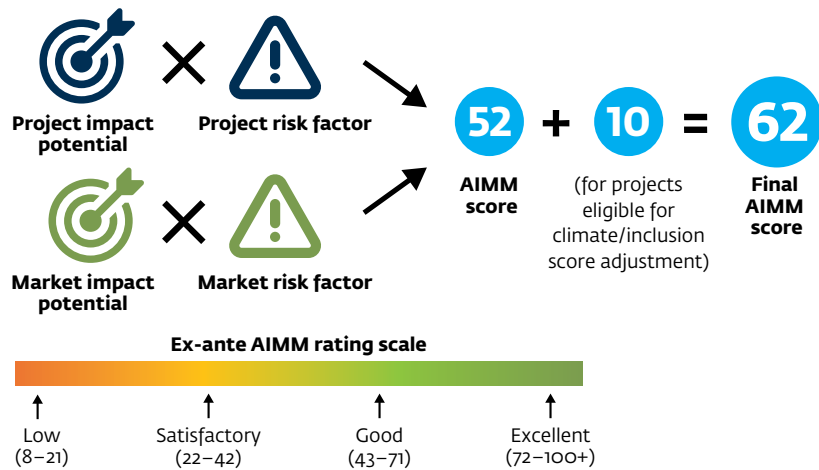
The AIMM system considers the uncertainty of realizing and sustaining the desired project and market outcomes, over time. The risk assessment is intended to make a distinction between the potential outcomes that a project could deliver and risks that may affect their realization. If the risk of achieving and sustaining the expected outcomes over time is assessed as material, the AIMM system “Qualifies” the assigned project or market outcomes rating. If the risk is assessed as moderate, the rating is “Unqualified.”

Scoring Adjustments

The AIMM system has been enhanced to create incentives—across all sectors—for projects that are expected to make a significant contribution to WBG strategic objectives of climate and inclusion. To this end, projects can get additional points to the AIMM score if they meet the eligibility criteria for a climate and/or inclusion score adjustment.

AIMM Rating & Score

An ex-ante AIMM rating is based on a series of qualitative judgments that are converted into a score.



Strategic Benefits of AIMM Ratings

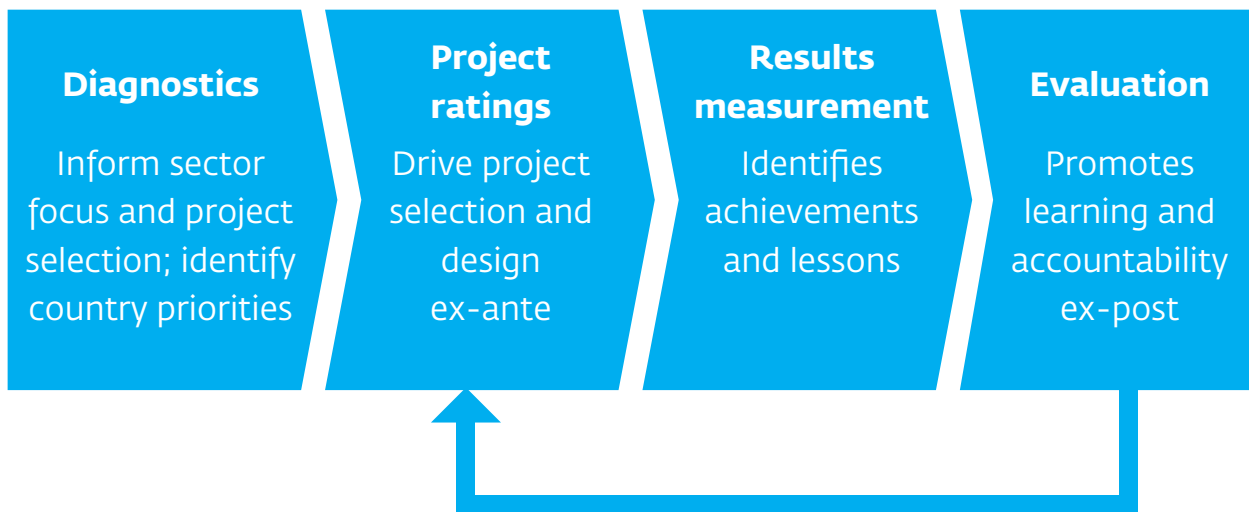
IFC uses AIMM ratings to better select and design interventions that maximize impact. The aggregation of AIMM scores for different business segments helps IFC manage its pipeline of interventions and develop strategies to address deficiencies. Portfolio ratings will also help IFC balance strategic priorities in pursuit of the portfolio approach, which seeks to maximize development impact consistent with the need to generate sustainable, risk-adjusted financial returns.

Supervision under the AIMM system

The monitoring of outcomes is an essential component of the AIMM system as it links ex-ante assessments with the learning and accountability function embedded in IFC's existing results measurement system. Each development outcome claim in IFC projects is explicitly tied to one or more monitoring indicators and regularly tracked during portfolio supervision. By tracking these indicators, the AIMM system links project ratings with real-time results measurement findings. Monitoring helps IFC:

- ➔ **Track and report on ex-ante expectations** of development impact claims throughout the project lifecycle; and
- ➔ **Generate an inventory of lessons** from terminal assessments to improve the selection and design of future projects.

In total, the AIMM system comprises two critical pillars (project ratings and results measurement) that help connect an “end-to-end” impact assessment system for IFC interventions.



Connection between AIMM and the WBG Scorecard

The WBG scorecard was launched in FY24 as a strategic management and communication tool to drive action for development results. IFC contributes to 19 of the 22 the results indicators in the WBG Scorecard. AIMM connects to the WBG scorecard at the project level where IFC has identified the set of standard indicators that be included

to support contribution to relevant WBG scorecard indicators. All IFC indicators linked to the WBG Scorecard will require baselines and targets. Projects may contribute either directly to an indicator or indirectly by providing input data that would then be converted to an indicator result, as indicated by the WBG Scorecard Indicator Methodology.

Milestones

A fully operational system

- ➔ More than two dozen sector frameworks developed across four different industries
- ➔ New assessment methodologies developed for assessing market effects and risk
- ➔ Over 2,900 investment projects assessed and scored
- ➔ Multiple knowledge sessions, including workshops and trainings, organized for IFC staff

A tool to incentivize impact

- ➔ AIMM metrics are part of corporate KPIs to strengthen focus on development impact
- ➔ Scores help drive a portfolio approach that balances development and financial returns
- ➔ Portfolio monitoring strengthens learning to improve project design, among others

A record of transparency

- ➔ AIMM scores reported at portfolio level in annual report
- ➔ Impact theses and core project outcomes disclosed at pre-approval stage

An emerging model for impact investors

- ➔ Operating Principles for Impact Management share AIMM measurement and monitoring approaches
- ➔ Seminars and training sessions for development finance institutions
- ➔ JP Morgan Development Finance Institution employs methodology based on AIMM principles
- ➔ Multilateral Investment Guarantee Agency system (Impact) modeled after AIMM constructs

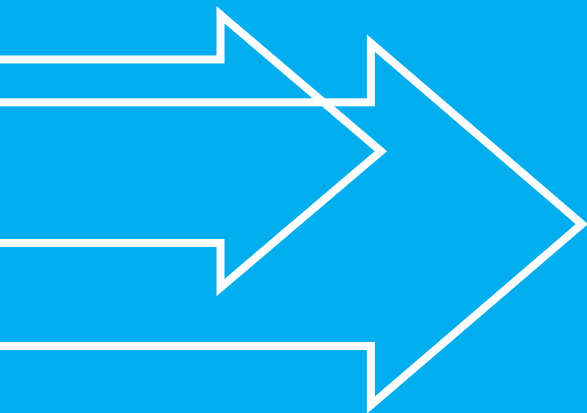
A leader in industry harmonization

- ➔ AIMM sector frameworks have been linked with indicators in the Harmonized Indicators for Private Sector Operations (HIPSO)

The way forward

To deliver on its mandate and support the implementation of its strategy, IFC developed and adopted the AIMM system not only to capture, articulate, and document its development impact footprint but also to help ensure IFC selects and designs interventions that maximize impact. The aggregation of AIMM scores for different business segments helps IFC manage its pipeline of interventions and develop strategies to address deficiencies. Portfolio ratings enable IFC to balance strategic priorities in pursuit of the portfolio approach, which seeks to maximize development impact consistent with the need to generate sustainable, risk-adjusted financial returns.

IFC will continue developing and improving the AIMM system taking into account lessons from internal experience and best practices gathered from other impact measurement systems. Recent improvements made to the AIMM system to better assess market catalytic effects, simplify the scoring system, and explicitly recognize projects that make a significant contribution to strategic priorities of climate and inclusion reflect our commitment to ensure accurate impact assessment.



Contact us

www.ifc.org/aimm

Pablo Fajnzylber

Director

Development Impact Measurement

Email: pfajnzylber@ifc.org

Erik Churchill

External Affairs Lead, IFC Economics

Communications and Outreach Department

Email: echurchill@ifc.org

IFC—a member of the World Bank Group—is the largest global development institution focused on the private sector in emerging markets. We work in more than 100 countries, using our capital, expertise, and influence to create markets and opportunities in developing countries. In fiscal year 2024, we invested \$56 billion in private companies and financial institutions in developing countries, leveraging the power of the private sector to end extreme poverty and boost shared prosperity. For more information, visit www.ifc.org.

IFC

2121 Pennsylvania Avenue, N.W.
Washington, D.C. 20433 U.S.A.

www.ifc.org

