

# **MEASURING** **UP**

IFC offers clients a unique combination of investment and advice designed to promote sustainable private sector development in emerging markets. We use this special edge to maximize our development impact.

# Understanding Our Development Impact

IFC is at the forefront of measuring development outcomes for private sector operations. We set corporate targets for development impact and measure the results of our work to gain a critical understanding of how effective our strategies are—and to determine if we and our clients are reaching the people and markets that most need our help.

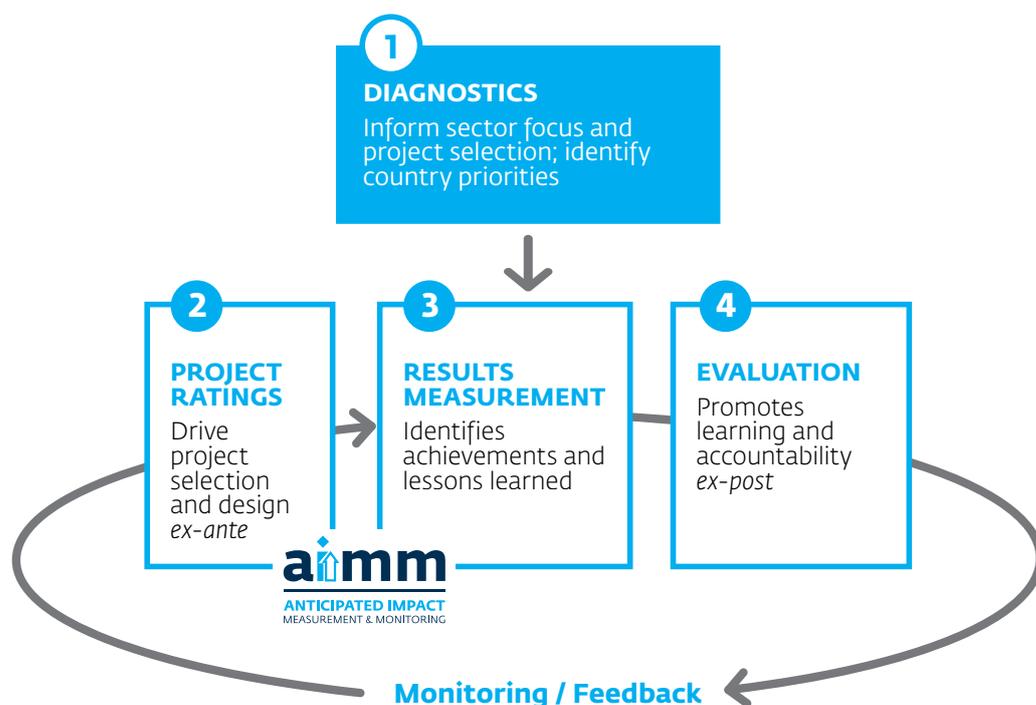
## IFC'S APPROACH TO DEVELOPMENT IMPACT

IFC has developed a comprehensive approach to manage for greater development impact and improve our performance each year. The process, which includes the use of scorecard targets, begins with country and sector diagnostics. This leads to the development of country strategies that identify sector priorities and potential engagements. The process is strengthened by an assessment of anticipated development outcomes that informs project selection and design. Regular monitoring of project results—and eventually, selective evaluation of mature projects to identify outcomes achieved and lessons learned—allows us to meet our goals.

### DIAGNOSTICS—IDENTIFYING THE NEEDS AND BARRIERS

IFC's work begins with a diagnosis of the opportunities and constraints to private sector solutions to development challenges in specific countries. Country Private Sector Diagnostics (CPSDs)—a joint IFC-World Bank tool—identify constraints to private sector investment and recommend specific actions in priority areas to address those constraints. They also identify sectors with significant potential for private sector engagement and development impact.

### AN END-TO-END SUPPORT SYSTEM FOR IMPACT ASSESSMENT



CPSDs tap into IFC’s extensive knowledge of the private sector and its needs and limitations across sectors and geographies and into the World Bank’s expertise in promoting country policy reforms and dialogue with governments.

In FY19, we published CPSDs on Angola, Ethiopia, Kenya, Nepal, and Rwanda and finalized another seven—Burkina Faso, Guinea, Morocco, Senegal, Philippines, South Africa, and Uzbekistan. As of June 2019, an additional 15 CPSDs were being developed—Egypt, Côte d’Ivoire, Democratic Republic of Congo, Ecuador, Haiti, Indonesia, Jordan, Kyrgyz Republic, Lebanon, Madagascar, Mozambique, Myanmar, Nigeria, Tunisia, and Ukraine—and we have a robust pipeline of CPSDs for FY20. Published CPSDs are available at [www.ifc.org/cpsd](http://www.ifc.org/cpsd).

To promote cross-institutional collaboration on diagnostics work, IFC, the World Bank, and other development finance institutions—including the European Bank for Reconstruction and Development, the European Investment Bank, the United Kingdom’s Department for International Development, and the Swedish International Development Cooperation Agency—launched the Country Diagnostic Platform in FY19. The website makes available diagnostic papers that identify obstacles to progress as well as opportunities for private sector development in emerging economies. Published diagnostics are available at [www.countrydiagnostics.com](http://www.countrydiagnostics.com).

### **AIMM—ASSESSING EXPECTED IMPACT AND MEASURING RESULTS**

The Anticipated Impact Measurement and Monitoring (AIMM) system, launched in July 2017, is IFC’s development impact rating system. Potential projects are rated and selected on the basis of their expected development outcomes. This approach enables us to set ambitious yet achievable targets, select projects with the greatest potential for development impact, and optimize project design.

The AIMM system enables IFC to assess a project’s outcomes as well as its effect on market creation. It looks at how project beneficiaries—including employees, customers, and suppliers—are affected. It also examines broader effects on the economy and society. With the AIMM system, IFC can examine how a project promotes objectives that contribute to the creation of markets—by enhancing competitiveness, resilience, integration, inclusiveness, and sustainability. Ultimately, the system helps IFC maintain a line of sight from our intermediate objectives to the World Bank Group’s twin goals and the UN Sustainable Development Goals.

The AIMM system incorporates country context in all of its assessments and captures greater development impact potential in projects that seek to address the widest gaps in the most difficult environments.

IFC has developed sector frameworks that provide the analytical support to facilitate the assessment of a project’s expected outcomes and contribution to market creation. Sector frameworks present the development impact thesis that motivates IFC’s involvement in a sector.

IFC has now assessed more than 750 investment projects for their expected development impact and assigned ex-ante—or expected—AIMM scores to each of them. Ex-ante AIMM scores are fully integrated into investment teams’ decision making, allowing IFC managers to weigh development impact considerations against a range of strategic objectives, including return, risk, country, and thematic priorities.

### **WHAT EX-ANTE AIMM SCORES SAY ABOUT IFC’S DEVELOPMENT IMPACT**

At the start of FY19, IFC established development impact targets for new committed projects in the fiscal year. These targets are: for AIMM-scored, committed projects, an average ex-ante AIMM score of 56, with 15 percent of committed projects rated “very strong” for market creation potential. For the first time, we defined in quantitative terms IFC’s development impact ambitions for new projects at the start of a fiscal year.

During the year, IFC committed 187 projects that were scored for ex-ante development impact using the AIMM system. The average ex-ante AIMM score for these projects was 64, or “good.” The share of AIMM-scored projects that were rated “very strong” for ex-ante market creation potential totaled 12 percent.

The tables that follow summarize key outcomes from the first year of implementing the AIMM system on an ex-ante basis.

## **Average AIMM Scores for Committed Projects in IDA/FCS Countries and for Blended Finance**

<b>DESCRIPTION</b>	<b>AVERAGE AIMM SCORE</b>
Committed projects in FCS countries	69
Committed projects in FCS/LIC/IDA17 countries	70
Committed projects in IDA countries	68
Committed projects using blended finance	76

## FY19 Committed Projects: Ex-Ante AIMM Score

BY REGION	NUMBER OF PROJECTS SCORED	AIMM SCORE AVERAGE	RATED VERY STRONG MARKET	
Sub-Saharan Africa	44	66	8	18%
Latin America and the Caribbean	38	59	4	11%
East Asia and the Pacific	37	64	5	14%
Middle East and North Africa	12	56	2	17%
Europe and Central Asia	14	62	2	14%
Global	8	70	2	25%
South Asia	34	69	0	0%

BY INDUSTRY	NUMBER OF PROJECTS SCORED	AIMM SCORE AVERAGE	RATED VERY STRONG MARKET	
Manufacturing, Agribusiness, and Services	63	63	3	5%
Financial Institutions Group	84	61	8	10%
Infrastructure and Natural Resources	19	67	4	21%
Telecom, Media, Technology, and Venture Investing	34	71	10	29%

With respect to specific investment projects, several themes emerged during the first year of the AIMM system's implementation:

- IFC's expected development impact was most pronounced in three priority regions: Sub-Saharan Africa, South Asia, and the Middle East and North Africa. Projects in these regions drew from a range of IFC focus areas. Examples include the following:

**Nachtigal Hydropower Project, Cameroon:** This joint World Bank Group project supports a greenfield, 420-megawatt, run-of-river hydropower plant that adds 30 percent of installed generation capacity and brings clean, affordable power to millions. The World Bank Group's engagement in Cameroon's power sector over the past two decades has helped create an enabling environment for private sector participation, demonstrating the feasibility of a contractual structure that allows for optimal risk-sharing among stakeholders. (See page 54 for more information.)

**HDB Financial Services Limited, India:** IFC's support to HDB Financial Services Limited, a nonbanking finance company, increases the number and volume of micro and small loans to individuals and very small enterprises in India's low-income states. IFC's investment seeks to increase HDB's micro and small and medium enterprise customer base to more than 2 million clients by 2021 while demonstrating the viability of lending to these enterprises. This will also build investor confidence in mainstreaming financing opportunities for self-employed, low-income households. Our backing is among the first by an international institutional investor in HDB.

### **DrBridge Holding Limited (ESIP Vezeeta), Middle East and North Africa:**

Vezeeta connects patients with doctors throughout the Middle East and North Africa. Its digital platform offers accountability, addressing deficiencies that make it difficult for people to access high-quality health care. Increased transparency with respect to patients' experiences of care, cost, and availability is expected to motivate doctors to improve the quality of services and reduce wait times. The project will also enhance connectivity in the health-care system, increasing coordination of care across different providers. (See page 42 for more information.)

- Several projects highlight the focus on climate, gender, and inclusion of underserved groups in IFC's activities. Of the 187 AIMM-scored projects that were committed in FY19, 60 are expected to contribute to improving market sustainability and/or inclusiveness on a systemic basis.

**InfraV-Gaia, Sub-Saharan Africa:** This project, undertaken through IFC InfraVentures—IFC's early-stage project development facility—prioritizes development of renewable energy in countries where wind power would be competitive but has no or limited active development. It leverages early-stage risk capital, including concessional resources from the Finland-IFC Blended Finance for Climate Program, and IFC's expertise to develop projects with significant potential to demonstrate the feasibility of wind energy. It establishes a track record for wind power and provides a basis for replication throughout a continent with significant wind potential. The project also adds power generation capacity from a locally available energy resource, helping the power systems in target countries better respond to and withstand potential energy supply shocks.

**Financiamiento Progreseemos, Mexico:** IFC's debt financing will help Progreseemos triple its portfolio of support to underfunded micro, small, and medium enterprises (MSMEs) in Mexico's frontier regions. About 70 percent of Progreseemos' clients live in rural areas and 45 percent in frontier regions, places that Progreseemos can focus on by leveraging its network of small microfinance institutions (MFIs) with a strong local presence and proximity to clients. IFC expects that the success of this investment will help demonstrate the viability of this model. For larger financial institutions, including banks and larger MFIs, this model will provide efficiency in accessing underserved areas as they leverage the expertise and knowledge of smaller MFIs.

- Among the projects with the highest anticipated impact are those that involved significant upstream work and close collaboration with the World Bank. These include the following:

**UTE GNA I Geração de Energia S.A. (GNA I), Brazil:**

This project involves the design, construction, and operation of an integrated liquefied natural gas (LNG)-to-power facility. The World Bank program, Revisiting Power and Gas Reforms in Brazil, in place since 2016, consists of complementary studies and consultations to diagnose issues and challenges faced by these sectors in Brazil. World Bank Group diagnostics have included assessments on financing of energy infrastructure and measures that enable the development of a competitive and sustainable gas market. Successful implementation of GNA I—one of the first privately owned and integrated LNG-to-power projects in the country—is expected to unlock additional private investment. The project is also expected to encourage highly efficient backup power capacity plants that displace inefficient and polluting thermal power plants based on heavy fuel oil and diesel. (See page 41 for more information.)

**Ayiti Leasing, Haiti:** This project provides financing to Ayiti Leasing, the first leasing company in Haiti. It follows a broader engagement by the World Bank Group's Finance, Competitiveness & Innovation Global Practice to lay the groundwork for a leasing market in the country. Since 2014, IFC has offered advisory services to help the company establish a business plan, policies, and procedures, information technology infrastructure, and organizational framework. The project is supported by a second IFC advisory project, which aims to build capacity to scale leasing operations in a commercially sustainable way. IFC's funding will help it expand a new financial product that is well suited to the needs and risk profiles of SMEs, increasing the company's portfolio to 660 leases worth \$21 million by 2022. This will contribute to greater sector competitiveness. (See page 39 for more information.)

Based on a conservative estimate, IFC will contribute to the creation of 1.5 million to 1.9 million jobs over the lifetime of the projects it financed in FY19. These estimates include direct and indirect jobs generated and are derived from projects accounting for about 80 percent of IFC's FY19 investment commitments.<sup>1</sup>

In FY19, IFC's investments helped our clients reduce annual greenhouse gas emissions by 15.4 tons of carbon dioxide equivalent.

*Starting in FY20, IFC will use the AIMM system to assess the development effectiveness of our portfolio, absorbing the Development Outcomes Tracking System (DOTS). For the past 14 years, DOTS has assigned ratings to IFC projects during supervision and aggregated those ratings to obtain an overall assessment of IFC's impact. The capability of the AIMM system to assess portfolios, when combined with its ex-ante project assessment capability, will provide an end-to-end framework for impact measurement and monitoring.*

*IFC's development effectiveness results for FY19 are available at [www.ifc.org/AnnualReport/DevelopmentEffectiveness](http://www.ifc.org/AnnualReport/DevelopmentEffectiveness)*

## LEARNING FROM SELF-EVALUATIONS AND INDEPENDENT EVALUATIONS

IFC, other World Bank institutions, and the Independent Evaluation Group (IEG) have developed evaluation principles that guide the selection, conduct, and use of self-evaluations and independent evaluations to inform operational strategy and policy.

IFC conducts demand-driven evaluations related to impact evidence that fill strategic knowledge gaps, improve operational decision making, and meet demands from clients and stakeholders. IFC is formulating a new, three-year evaluation strategy and plans to introduce a greater degree of formality and rigor into the process of evaluation topic selection and the conduct and review of these evaluations.

IFC conducts mandatory self-evaluations on investment and advisory operations once they have reached operational maturity, and we conduct self-evaluations on advisory operations once they have reached closure. Investment self-evaluations are performed on a sample of projects, typically five years following approval, and are validated by IEG. Advisory self-evaluations are performed on 100 percent of projects, and a sample is validated by IEG.

1. Employment estimates are computed for individual projects using IFC's economic impact assessment framework. The framework comprises sector-specific models and a variety of assumptions across countries and sectors. For financial intermediaries, the estimate includes on-lending of IFC funds only. Client banks' portfolios grow more than the IFC funding alone, partly because IFC's contribution catalyzes additional funding and partly because the growth is contractually agreed with IFC. This additional expansion, which is hard to attribute precisely, could represent the creation of several million jobs.

In FY19, IFC initiated a pilot program to provide additional support to teams preparing these evaluations. IFC has observed a decline in our portfolio development effectiveness ratings over the past several years. This initiative is aimed at curtailing this trend, strengthening the quality of these analyses, and complementing efforts to improve work quality. Already, IFC has committed significant staff resources to supporting operational teams' self-evaluations and has embarked on regular consultations with IEG to identify processing efficiencies to improve staff understanding of lessons learned from evaluations.

***Selected lessons learned from FY19 completed evaluations include:***

**Women Entrepreneurs in Romania:** This report studied the effects of IFC's gender finance facility on Garanti Bank Romania's (GB) clients, particularly the business performance of women-led SMEs that borrowed from the bank between 2011 and 2015. The study found that financial services from GB have had a positive effect on the SMEs' business growth and performance. Additional research and more rigorous evidence are needed to attribute the performance of the SMEs to GB or to IFC.

**Secured Transactions in Sub-Saharan Africa:** An evaluation showed that the OHADA Uniform Act on Secured Transactions led to \$3.82 billion of domestic credit to the private sector in seven member states—Burkina Faso, Cameroon, Central African Republic, Comoros, Mali, Senegal, and Togo—between 2011 and 2015. The impact of the reform is especially encouraging in the context of conflict-affected countries, where mobilizing private resources is very difficult. For instance, in Central African Republic, OHADA reforms led to an increase of \$33 million in domestic credit to the private sector. This number is much higher in Mali, at \$607 million, even though the country's economy is still recovering from unrest in 2012. IFC's Investment Climate Program supported the OHADA Secretariat and the member states to enact and implement the OHADA Uniform Act on Secured Transactions.