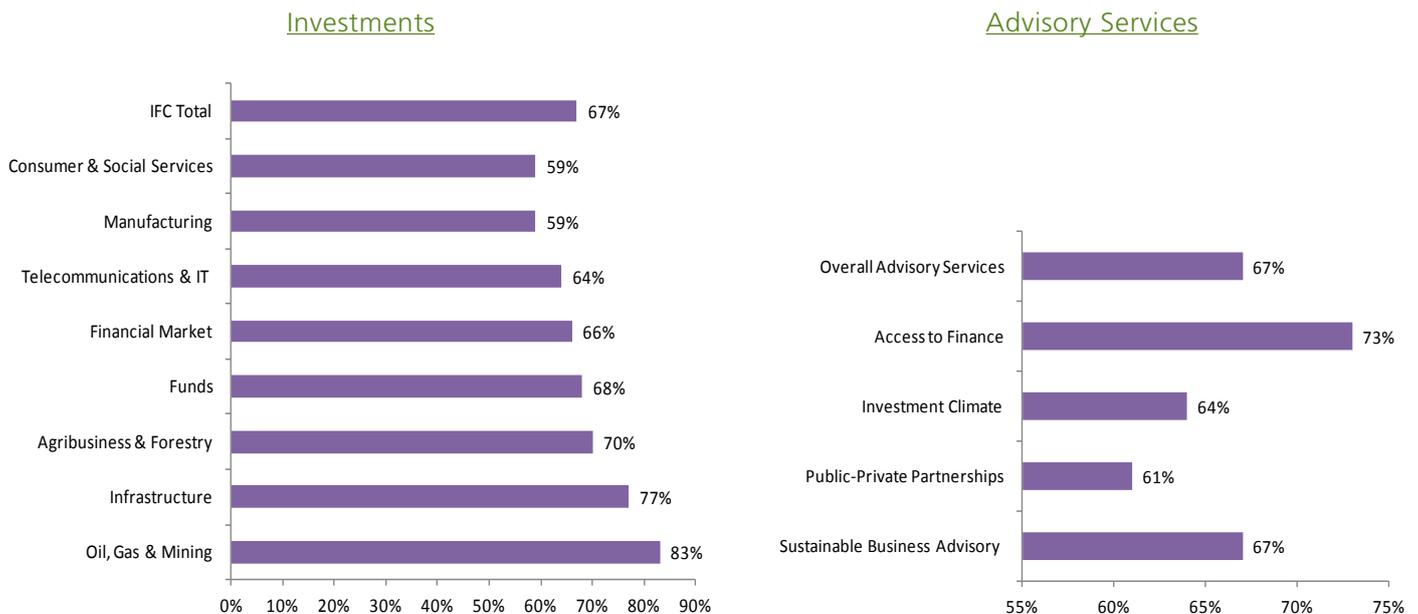




# Development Outcome Tracking System

Development effectiveness is the guiding principle of IFC's work. Our **Development Outcome Tracking System (DOTS)**, which measures the development effectiveness of our investment and advisory work, has been recognized as a leading system for development results measurement. DOTS gives IFC a key competitive advantage, and is critical to understanding how well our strategy is working and whether we are reaching the people and industries that most need our help. IFC was the first multilateral development bank to report on development results for its entire portfolio, beginning with our 2007 Annual Report. It was also first to have an external firm review the application of its methodology and reported results as part of assurance for these aspects of reporting. IFC's evaluation framework for investments reflects good practice standards agreed by multilateral development banks for private sector results and has, in three independent benchmarkings, been ranked best. Our tracking system is built on this foundation.

## PERCENTAGE OF IFC PROJECTS RATED HIGH ON DEVELOPMENT RESULTS (FY11)



DOTS data as of June 30, 2011.

### DOTS ALLOWS FOR REAL-TIME TRACKING OF DEVELOPMENT RESULTS THROUGHOUT THE PROJECT CYCLE

IFC staff members identify clear, standardized and verifiable indicators, with baselines and targets, at the outset of a project. With the help of our clients they track progress throughout supervision, which allows for direct feedback into operations. The data provides valuable lessons for our future business operations and makes us accountable for our past decisions.

For investments, the overall development outcome score is a synthesis of four performance categories, which are based on achievement of industry-specific indicators. To obtain a positive rating, a project must make a contribution to the host country's development — a contribution that is assessed according to good practice standards agreed by multilateral banks for evaluating private sector investment operations. For Advisory Services, the rating is a synthesis of the overall strategic relevance, effectiveness (as measured by project outputs, outcomes, and impacts), and efficiency of the services.

IFC reports on the DOTS score — the percentage of projects that have achieved a high rating (in the top half of the rating scale) — for IFC overall, and by region, industry and business line. Data for the total development reach, which measures the people reached by our clients in the provision of goods and services, are provided by IFC's active portfolio clients, and presented regardless of IFC's investment size. Given that IFC is always a minority investor, these results cannot be attributed solely to IFC.

## WHAT DOTS COVERS

IFC's DOTS covers active investment and advisory projects in our portfolio. The tracking process starts by setting objectives, using standard indicators by industry or business line, and tracking achievements throughout the project cycle until closure.

For **Investments**, DOTS covers - after certain exclusions - 1,232 companies under supervision. This report focuses on 582 out of about 700 investments approved between 2002 and 2007 that are mature enough to be rated. Every year the group of investments we report on shifts by one year. Newer investments are not mature enough to be evaluated, while older ones are less relevant for today's operations and have often already closed. We also address the current reach of all active investments in IFC's portfolio.

For **Advisory Services**, DOTS covers all projects that are active, completed, or on hold, dating back to FY06. At the end of FY11, the supervision portfolio included 642 active projects. This report highlights results achieved as of December 31, 2010, for all projects that were active during the calendar year, as well as the results of 364 projects for which project completion reports were done between calendar year 2008 and calendar year 2010 and for which development effectiveness could be assessed.

We also complement our measuring and tracking system with in-depth evaluations of a sample of our projects, so far mostly for advisory services. Going forward, we are developing a detailed evaluation strategy to better focus our evaluation efforts and to better show the poverty impact of our projects. We plan to offer interested clients support to strengthen their results measurement systems, so they can use their development results in their own competitive strategies.

In FY11, IFC launched the IDGs - IFC Development Goals - that will build on our current DOTS structure to complement results tracking with forward-looking corporate goals. For more details please refer to IFC's brief on the IDGs.

## DEVELOPMENT OUTCOME: INVESTMENTS

| Performance Category   | General Indicators and Benchmarks  | Examples of Specific Indicators Assessed Against Targets   |
|--|--|--|
| <ul style="list-style-type: none"> <li>Financial performance</li> </ul>                | <ul style="list-style-type: none"> <li>Returns to financiers</li> </ul>  | <ul style="list-style-type: none"> <li>Return on invested capital, return on equity, project implemented on time and on budget</li> </ul>                          |
| <ul style="list-style-type: none"> <li>Economic performance</li> </ul>                 | <ul style="list-style-type: none"> <li>Returns to society</li> </ul>   | <ul style="list-style-type: none"> <li>Number of connections to basic services, loans to small enterprises, people employed, tax payments</li> </ul>               |
| <ul style="list-style-type: none"> <li>Environmental and social performance</li> </ul> | <ul style="list-style-type: none"> <li>Project meets IFC's Performance Standards</li> </ul>  | <ul style="list-style-type: none"> <li>Improvements in environmental and social management, effluent or emission levels, community development programs</li> </ul> |
| <ul style="list-style-type: none"> <li>Private sector development impact</li> </ul>    | <ul style="list-style-type: none"> <li>Project contributes to improvement for the private sector beyond the project company</li> </ul> | <ul style="list-style-type: none"> <li>Demonstration effects</li> </ul>  |

## DEVELOPMENT OUTCOME: ADVISORY SERVICES

| Performance Category  | General Indicators and Benchmarks   | Examples of Specific Indicators Assessed Against Targets  |
|---|---|---|
| <ul style="list-style-type: none"> <li>Strategic relevance</li> </ul> | <ul style="list-style-type: none"> <li>Potential impact on local, regional, national economy</li> </ul>   | <ul style="list-style-type: none"> <li>Client contributions, alignment with country strategy</li> </ul>   |
| <ul style="list-style-type: none"> <li>Efficiency</li> </ul>          | <ul style="list-style-type: none"> <li>Returns on investment in advisory operations</li> </ul>  | <ul style="list-style-type: none"> <li>Cost-benefit ratios, project implemented on time and on budget</li> </ul>  |
| <ul style="list-style-type: none"> <li>Effectiveness</li> </ul>       | <ul style="list-style-type: none"> <li>Project contributes to improvement for the client, the beneficiaries and the broader private sector</li> </ul> | <ul style="list-style-type: none"> <li>Improvements in operations, investments enabled, jobs created, increase in revenues for beneficiaries, cost savings from policy reforms</li> </ul> |

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