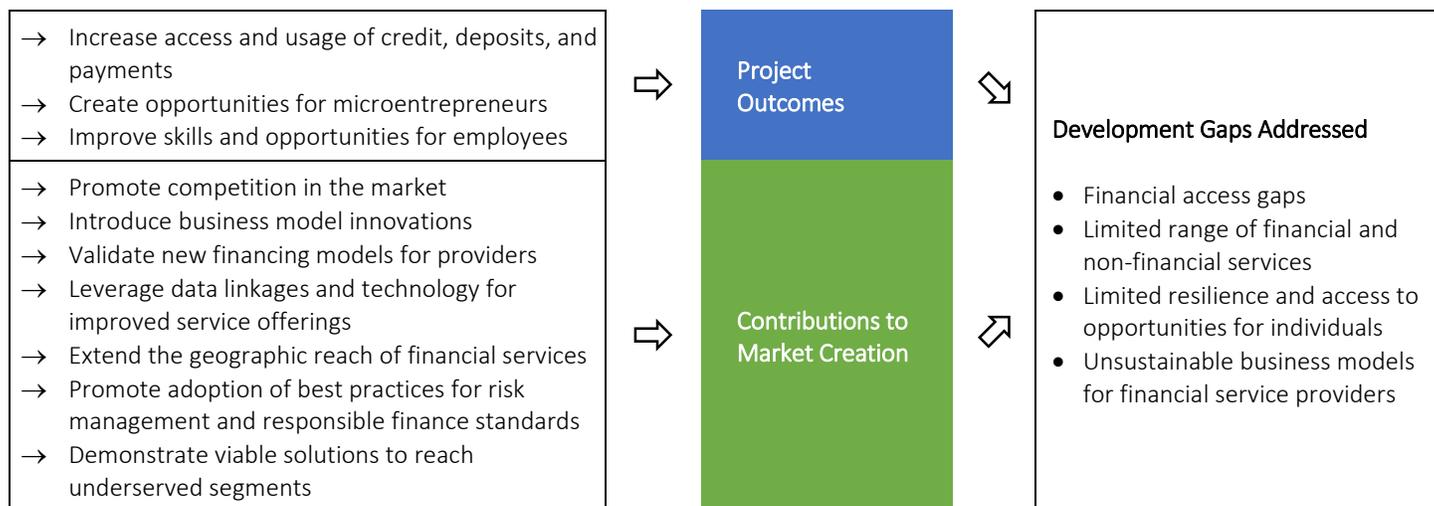


Development Impact Thesis – Promoting financial access and financial inclusion for un(der)served individuals, households and micro-enterprises is fundamental for individuals and companies to flourish. Financial inclusion is achieved when individuals and microentrepreneurs access and use a range of financial services that are available, affordable, convenient, and delivered responsibly. IFC provides financing and advisory services to financial service providers targeting individuals and microentrepreneurs to:



Rating Construct – All AIMM sector frameworks include detailed guidance notes that help define project outcomes and contributions to market creation, aggregating to an overall assessment of development impact.

- For project outcomes, stakeholder effects are the key components for which industry-specific benchmarks define the context in which an IFC operation seeks to drive changes. This gap analysis is combined with a separate set of impact intensity estimates that specify the expected results using predefined indicators.
- For contributions to market creation, industry-specific market typologies define stages of development for four market attributes (or objectives): competitiveness, resilience, integration, and inclusiveness. These market typologies, when combined with estimates of how much an intervention affects the development of a market attribute, provide the foundation for IFC’s assessment of an intervention’s market-level potential for delivering systemic changes.

PROJECT OUTCOME INDICATORS		CONTRIBUTION TO MARKET CREATION INDICATORS	
Stakeholders	<u>Credit</u> <ul style="list-style-type: none"> Access: Number and volume of outstanding microfinance loans Access: Accessibility (e.g. alternative credit scoring, lower collateral requirements) Quality and Affordability: Quality improvements Quality and Affordability: Affordability (e.g. pricing and terms) Quality and Affordability: Non-financial services (e.g. business advisory or training) 	Competitiveness	<u>Market Structure</u> <ul style="list-style-type: none"> Change in competitive market structure and behaviors
	<u>Transaction and Deposit Accounts</u> <ul style="list-style-type: none"> Access: Number of deposit transaction accounts Access: Accessibility (e.g. KYC, requirement for account opening) Access: Number of access points (Branches, ATMs, Agents) Quality: Digital channels (e.g. access to products and services via mobile banking) Quality: Quality improvements (e.g. product design, pricing, disclosure, cross-selling) Quality: Share of active users 		<u>Price</u> <ul style="list-style-type: none"> Change in price through efficient business models
	<u>Payments</u> <ul style="list-style-type: none"> Access: Access to digital payment services (e.g. card, internet payments, platform) Access: Number of merchant acceptance points (POS) Access: Data generation (e.g. transaction data to be leveraged for decision making) Access: Access to digital economy (e.g. bill payments, e-commerce, other services) Quality: Volume of non-cash transactions Quality: Volume of cross-border payments Quality: Quality improvements 	Resilience	<u>Product and Business Model Differentiation</u> <ul style="list-style-type: none"> Growth of new products, channels, business models in the market
	<u>Agents or Merchants</u> <ul style="list-style-type: none"> Number agents or merchants gaining access to new income opportunities Number agents or merchants gaining access to financial data and services 	Integration	<u>Market Regulation</u> <ul style="list-style-type: none"> Promote competition by enabling a government framework
<u>Employees</u> <ul style="list-style-type: none"> Improved employee skills, capacity building Women in management positions (%), employees (%), retention/promotion 	Inclusiveness	<u>Financial Stability and Consumer Protection</u> <ul style="list-style-type: none"> Adoption of best practices to improve credit quality and risk management Promotion of practices that improve consumer protection and responsible finance Promotion of local currency funding and increase market wide deposit base 	
			<u>Financial Integration</u> <ul style="list-style-type: none"> Introduction or replicable instrument to raise funds for microfinance and fintech
			<u>Data Integration</u> <ul style="list-style-type: none"> Fostering data linkages and models across financial and non-financial sectors
			<u>Geographical Integration</u> <ul style="list-style-type: none"> Expand market coverage to unserved regions and promote regional integration
			<u>Channel and Value Chain Integration</u> <ul style="list-style-type: none"> Change in delivery of financial, non-financial and value chain payments
			<u>Inclusion</u> <ul style="list-style-type: none"> Adopt models/products/processes to reach un(der)served (vulnerable) groups

Sector Specific Principles or Issues – The following principles will be applied for projects rated under this framework:

Principle or Issue	Treatment Under Framework
Financial inclusion	Financial inclusion expansion contributes to poverty reduction through its effect on economic growth and direct benefits to the poor using financial services. This implies customers not only have access to accounts to store or transact money, but use a range of services that are available, affordable, convenient, and delivered responsibly. These range of financial services involved requires a menu of indicators to assess progress towards financial inclusion. The AIMM framework considers country and sector contexts, benchmarking appropriate gap indicators, when assessing project outcomes and contribution to market creation.
Underserved and vulnerable populations	Even where financial access and inclusion may have reached high levels for a large portion of a country's population, segments (e.g. women, rural populations, refugees) remain excluded from, or substantially underserved by the financial sector and the economy.
Financial technologies	Innovative technologies can expand access and usage of financial services, by formalizing cash flows, addressing deficiencies in the financial infrastructure, and enabling the creation of new business models in the financial sector, and in the wider economy. The surge in product innovation and new business models spawned by new technology can remove access barriers and reduce costs, benefitting large segments of the economy. However, technology can also lead to new kinds of risks for consumers and businesses, linked to data security and governance, financial literacy, and fraud.
Responsible finance and consumer protection	Responsible finance is a key principle of all IFC investments in financial services as the financially underserved are often also among the most vulnerable segments of society. IFC conducts due diligence to ensure that its investees meet appropriate standards for consumer protection and data privacy and is committed to promote fair and transparent pricing, prevent over-indebtedness, strengthen digital literacy, enhance customer services for problem resolution, and ensure data privacy and security. These safeguards are an important element of ensuring responsible lending at IFC clients and promotion across the market.
Financial markets stability	Financial market stability is a precondition for macroeconomic stability and economic growth. Risks to financial stability, on the other hand, also imply risks to the real economy and to overall economic stability. By promoting advanced risk management strategies and reliable institutional governance, IFC ensures the soundness and appropriateness of a financial institution's operations. In addition, diversified sources of funding among financial service providers (FSPs) are essential to mitigate negative outcomes of volatile markets.
Treatment of negative effects	There are a few potential negative effects from a microfinance and digital financial services operation, both on the project outcomes and on market effects. In some cases, IFC may reinforce the position of the dominant player, thereby diminishing market competition, or accelerate the growth of an innovative provider, challenging incumbent business models. Another could be lending in hard currency to a financial institution, thereby exposing the client financial institution to currency risks where loans to end borrowers are in local currency, thereby reducing project likelihood as well as market resilience. Where significant, these should be incorporated in project assessments.

Project Outcomes – The AIMM system considers the extent of the development gap and uses a gap analysis to classify project contexts according to the size of the deficit/gap being addressed. For each indicator, the size of the gap is measured in relation to development goals associated with the sector. Contexts are classified into very large, large, medium or low gap, for each performance dimension. Development gaps are defined using a combination of qualitative and quantitative benchmarks, which leaves room to consider context-specific attributes that drive investments in the sector. For this framework, access refers to availability of credit, transactional accounts, and payment services for microenterprises or individual customers. This is measured as the number of accounts or customers accessing the services, improvements in removing key access constraints (e.g. lower requirements or improved access points), access to other financial and non-financial services resulting from using a financial service (e.g. bill payments or access to loans resulting from data generated on payment flows). Quality refers to the extent to which a new channel, feature or product improves the quality or value of the service for borrowers or account holders. This includes improvements in affordability and pricing, new channels to access financial services and to make payments, that may result in increased usage of these services.

COUNTRY CONTEXT	Low Gap	Medium Gap	Large Gap	Very Large Gap
Access	<p>– The following are >1 STD above EM median:</p> <p>Credit - Volume of credit to microenterprises and share of adult borrowers</p> <p>Accounts - Adult account holders and penetration of access points</p> <p>Payments - Penetration of payment cards and merchant POS</p>	<p>– The following are within 1 STD EM median:</p> <p>Credit - Volume of credit to microenterprises and share of adult borrowers</p> <p>Accounts - Adult account holders and penetration of access points</p> <p>Payments - Penetration of payment cards and merchant POS</p>	<p>– The following are < 1 STD below EM median:</p> <p>Credit - Volume of credit to microenterprises and share of adult borrowers</p> <p>Accounts - Adult account holders and penetration of access points</p> <p>Payments - Penetration of payment cards and merchant POS</p>	<p>– The following are below EM 15th percentile:</p> <p>Credit - Volume of credit to microenterprises and share of adult borrowers</p> <p>Accounts - Adult account holders and penetration of access points</p> <p>Payments - Penetration of payment cards and merchant POS</p>

COUNTRY CONTEXT	Low Gap	Medium Gap	Large Gap	Very Large Gap
Quality	<ul style="list-style-type: none"> – Credit: Tailored products widely available, limited credit spreads for target segment, complementary products widespread – Accounts: Share of dormant accounts or share of adults not saved in past year <1 STD below EM median – Payments: Share adults made/received digital payment or used a card in past year >1 STD above EM median 	<ul style="list-style-type: none"> – Credit: Some tailored products and features, credit spreads significant for target segment, some complementary products. – Accounts: Share of dormant accounts or share of adults not saved in past year within 1 STD EM median – Payments: Share adults made/received digital payment or used a card in past year within 1 STD EM median 	<ul style="list-style-type: none"> – Credit: Basic products available, large credit spreads for target segment, few complementary products available. – Accounts: Share of dormant accounts or share of adults not saved in past year >1 STD above EM median – Payments: Share adults made/received digital payment or used a card in past year <1 STD below EM median 	<ul style="list-style-type: none"> – Credit - N/A – Accounts: Share of dormant accounts or share of adults not saved in past year above EM 15th percentile – Payments: Share adults made/received digital payment or used a card in past year below EM 15th percentile

“Core outcomes” for projects in microfinance and digital finance can span across three product/service segments: (1) credit, (2) transaction and deposit accounts (accounts), and (3) payments. Projects may yield outcomes across one or more of segments. There may be some projects with an additional component focusing on cross-selling which results in outcomes related to insurance, housing finance or SME finance. These projects should refer to the other sector specific frameworks to assess project outcomes related to the cross-selling component and use the microfinance and digital finance framework to assess the core outcomes related to micro-credit, accounts and payments. For each of these product/service segments covered in this framework, the core outcomes are divided along two components: (1) an increase in access of the service, and (2) an improvement in the quality of the service.

PROJECT INTENSITY	Below Average	Average	Above Average	Significantly Above Average
Access	<ul style="list-style-type: none"> – The following are < 1 STD below IFC portfolio median for # and % growth in 5 yrs: Credit - # O/S microloans, no increase in accessibility cf. market Accounts - # transaction accounts, no increase in accessibility cf. market, # access points Payments - # digital channels users, # merchant acceptance (POS) 	<ul style="list-style-type: none"> – The following are within 1 STD IFC portfolio median for # and % growth in 5 yrs: Credit - # O/S microloans, small increase in accessibility cf. mkt Accounts - # transaction accounts, small increase in accessibility cf. market, # access points Payments - # digital channels users, # merchant acceptance (POS), introduces limited beneficial user data at scale 	<ul style="list-style-type: none"> – The following are > 1 STD above IFC portfolio median for # and % growth in 5 yrs: Credit - # O/S microloans, large increase in accessibility cf. mkt Accounts - # transaction accounts, large increase in accessibility cf. market, # access points Payments - # digital channels users, # merchant acceptance (POS), beneficial user data at scale, access to digital services 	<ul style="list-style-type: none"> – The following are > IFC portfolio 85th percentile for # and % growth in 5 yrs: Credit - # O/S microloans, large increase in accessibility cf. mkt Accounts - # transaction accounts, large increase in accessibility cf. market, # access points Payments - # digital channels users, # merchant acceptance (POS), beneficial user data at scale, access to digital services
Quality	<ul style="list-style-type: none"> – Credit: no increase in affordability or quality – No improvement – Accounts: limited growth (< 10 pp) in active users (30 days) – Payments: # and growth (5-year) in transactions < 1 STD below IFC portfolio median 	<ul style="list-style-type: none"> – Credit: small increase in affordability and quality – Accounts: moderate growth (< 20pp) in active users (30 days), small growth in digital channels, small quality increase cf. mkt – Payments: # and growth (5-year) in transactions within 1 STD of IFC portfolio median, small quality increase cf. mkt 	<ul style="list-style-type: none"> – Credit: large increase in affordability and quality, substantial growth in non-financial services – Accounts: significant growth (< 30pp) in active users (30 days), large growth in digital channels, large quality increase cf. mkt – Payments: # and growth (5-year) in transactions > 1 STD below IFC portfolio median, large quality increase cf. mkt 	<ul style="list-style-type: none"> – Credit: exceptional quality increase in several aspects, substantial growth in non-financial services – Accounts: exceptional growth (> 30pp) in active users (30 days), exceptional quality increase cf. mkt – Payments: # and growth (5-year) in transactions > 85th percentile IFC portfolio median, exceptional quality increase cf. mkt

The AIMM methodology considers the uncertainty around the realization of the potential development impact being claimed, making a distinction between the potential outcomes that a project could deliver and what could be realistically achievable in the project’s development context. The table below presents the key types of risk factors for microfinance and digital financial service operations.

PROJECT LIKELIHOOD	Operational Factors	Sector Factors
Assessment Considerations	<ul style="list-style-type: none"> • Experience and track record of financial service provider (FSP) in target market • FSP's projected growth relative to recent history/capacity • Expansion into markets (e.g. new regions or countries), delivery using new channels or innovative product/design; • Growing new line of business (e.g. bank or payment provider building a microlending operation) • IFC providing AS or is part of systematic WBG engagement in the country that mitigates operational risks; • Project design and involvement of novel complexity, innovations, implementation/execution risks (e.g. fintech) 	<ul style="list-style-type: none"> • Target sector's market risks (e.g. low financial literacy) • Specific regulatory risks (e.g. interest rate caps) • Central bank supervision perimeter and capacity (e.g. consumer protection, cost transparency, financial literacy) • Supporting government policies and programs (e.g. financial inclusion, digital finance) • Market competition for micro lending, or for the target (specialized) market segment (e.g. micro-insurance)

Contribution to Market Creation – For the assessment of market creation outcomes, the “market” is defined as the microfinance/digital financial services market in target countries, with focus on individuals and microenterprises. The microfinance market is supported by a variety of market participants including commercial banks, microfinance institutions (MFIs), specialized non-bank financial institutions (NBFIs) and fintech companies. Market typologies provide the building blocks in the AIMM system to construct a narrative for how much an IFC intervention is advancing a market objective. These typologies provide a description of the market gap based on various stages of development for a given sector from least developed to most advanced and enable the location of the market before and after IFC’s intervention. The table below summarizes the characterizations of the market for the three most important market attributes.

MARKET TYPOLOGY	Highly Developed	Moderately Developed	Underdeveloped	Highly Underdeveloped
Competitiveness	<ul style="list-style-type: none"> – Market is distributed across many actors; is competitive – Limited barriers in the market and contestability – Microfinance sector robust and mostly privately held meeting needs of market – Financial services transparent; price not significant barrier – Market has high level of product differentiation and tailoring offering services beyond credit to include savings and insurance products channels, models and financial services offered are highly digitized 	<ul style="list-style-type: none"> – Market concentrated; substantial public presence – Significant barriers to entry – Limited lending from national development banks and downscaling of commercial banks, significant informality – Financial services expensive but somewhat transparent – Price is significant barrier – Market offers range of financial services, some product diversification – Financial services growing digital channels – Market very well regulated with strong institutions 	<ul style="list-style-type: none"> – Market highly concentrated – High barriers to entry – Informality, NGOs, gov banks dominate – Financial services expensive, not transparent – Price is barrier to access for a majority of target clients – Market offers basic financial services with lack of product diversification – Financial services mostly cash-based with business processes limiting efficiency – Market lacks clear regulations constituting barriers to market entry and effective competition 	<ul style="list-style-type: none"> – Market has no regulatory framework that enables market entry and competition
Integration	<ul style="list-style-type: none"> – Developed capital market with specialized instruments, and attractive to institutional investors, both domestic and international – Financial and non-financial sectors have significant data integration and many business models leveraging this data exist in the market – Domestic financial services have extensive coverage – Payments for financial, non-financial service providers and along microenterprise value chains take place on digital platforms 	<ul style="list-style-type: none"> – Some specialized instruments exist, financing through few local investors with high costs as well as donors and other social investors – Financial and non-financial sectors have some data integration and a few models leveraging data – Concentrated geographical presence in urban areas – Market has established digital payment channels or platforms enabling payments for financial, non-financial service providers and along value chains 	<ul style="list-style-type: none"> – Market has an under-developed / expensive capital market and lacks institutional investors – Limited data linkages across financial and non-financial service providers – Concentrated geographical presence with no/incipient integration of financial services across regions – Market has either limited digital payment channels or platforms enabling payments for financial, non-financial service providers and along microenterprise value chains 	<ul style="list-style-type: none"> – No access to capital market for local FSPs; – No data linkages exist across financial and non-financial service providers; – No digital payment infrastructure exists

MARKET TYPOLOGY	Highly Developed	Moderately Developed	Underdeveloped	Highly Underdeveloped
Inclusiveness	<ul style="list-style-type: none"> – FSPs in market offer wide range of products and services targeted towards underserved groups – Awareness and established business case for reaching underserved groups 	<ul style="list-style-type: none"> – FSPs reach segments but offer significantly lower quality and less accessible services than market; – FSPs offer suitable services but do not effectively target underserved groups 	<ul style="list-style-type: none"> – Few FSPs offer very limited, low quality / high cost products and/or processes to underserved groups 	<ul style="list-style-type: none"> – No FSPs have products and/or processes to target underserved groups

The market component rating is based on the current market stage and movement along the market typologies. For each relevant market outcome, the individual market creation assessment will identify where the magnitude of the movement falls in the movement spectrum and will support one of the following movement options: “Marginal”, “Meaningful”, “Significant” or “Highly Significant”. In general, most individual projects are not expected to make a significant and immediate systemic market change, unless the project is a pioneer in a non-existent or nascent market. Instead, most projects are expected to have incremental effects on the market. In other words, it takes more than one intervention to move a market to the next stage. This means that integrated and concerted efforts are often needed to generate substantial market effects. For example, cumulative World Bank Group efforts over time will have a stronger effect on markets than non-integrated and non-concerted interventions. Where a project is explicitly part of a programmatic approach, the expected movement induced by the program should be the basis for the assessment where timebound movements, market effects, and indicators are available. Examples of market movements include:

MARKET MOVEMENT	Marginal	Meaningful	Significant	Highly Significant
Competitiveness	<ul style="list-style-type: none"> – Entrance of financial service providers in the microfinance market, or strengthening non-dominate fostering competition – Introducing new products and business models for the financially underserved (e.g. home improvement loans, online remittances, credit underwriting) – Improvements in pricing and quality of microfinance loans (e.g. unsecured loans) 			
Integration	<ul style="list-style-type: none"> – Introduce local capital market vehicles to support microlending – Promote replication of business models to extend financial services to underserved regions – Service enabling use of non-traditional data (e.g. invoices, mobile payments transactions) for microenterprise credit delivery – Payment platform enabling delivery of financial (e.g. insurance) and non-financial services (e.g. bill payments, e-commerce), and development of new business models (e.g. supply chain finance for informal microentrepreneurs) 			
Inclusiveness	<ul style="list-style-type: none"> – Demonstrate the viability of lending to underserved segments to commercial banks – New products and delivery channels enabling insurance offering to excluded segments; – New fundraising tools/products (e.g. social bonds, microfinance investment vehicles) to raise financing targeting underserved 			

The market likelihood adjustment follows the principles for the likelihood adjustment for project outcome potential. In general, the likelihood assessment includes sector-specific, as well as broad country risks that may prevent potential catalytic effects from occurring, plus political economy or policy/regulatory risks that may constrain market systemic change. Due to the diversity of market creation attributes and channels, most of the likelihood factors are expected to be sector, or intervention specific.

MARKET LIKELIHOOD	Sector Factors	Political / Regulatory / Policy Factors
Assessment Considerations	<ul style="list-style-type: none"> • Concentration in the banking sector, or the microfinance market segment (e.g. barriers to entry) • Strength of the channel for competitive pressures and incentives to adopt innovations • Appropriate level of complementary and supporting technologies available in the market (esp. for DFS) • Responsible finance culture and transparent pricing • Joint WBG initiative on promoting financial access and inclusion in the country • Capital markets environment with an enabling policy, regulatory framework, and institutional capacity • Uptake and product awareness by underserved segments 	<ul style="list-style-type: none"> • Government commitments and supporting policies/programs (e.g. financial inclusion) • Government capacity and willingness to implement policies and program commitments • Regulatory scope and capacity, including new regulatory framework for fintech innovators