

How IFC Measures the Development Impact of its Interventions



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The world's development challenges are far too vast for the old ways of doing business. We need a new approach that unlocks the power of private sector solutions to deliver development impact. In 2017, IFC piloted a new, ex-ante project impact assessment tool—the **Anticipated Impact Measurement and Monitoring (AIMM)** system. In 2018, IFC began scoring all of its investment projects for development impact using the AIMM system. This pamphlet provides an overview of the system and its role in helping IFC deliver its mandate.

The International Finance Corporation (IFC)—a sister organization of the World Bank and member of the World Bank Group—is the largest global development institution focused exclusively on the private sector in developing countries. We work with the private sector in developing countries to create markets that open up opportunities for all. We apply our financial resources, technical expertise, global experience, and innovative thinking to help our partners overcome financial, operational, and other challenges.

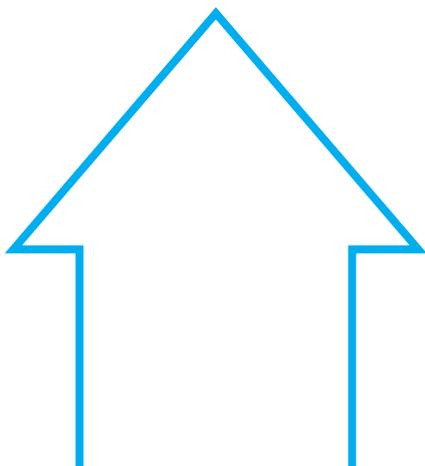
What is the AIMM system?

The AIMM system enables IFC to measure the development impact of its investment and advisory projects. This has

important benefits that help us meet our strategic objectives.

The AIMM system provides a robust operational framework that:

- » Improves our ability to select and design projects that maximize our development reach
- » Sets ambitious targets and the incentives to achieve them
- » Strengthens our capacity to deliver an optimal mix of projects that deliver both high development impact and solid financial returns



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How does the AIMM system assess development impact?

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

» **PROJECT OUTCOMES**



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

» **MARKET OUTCOMES**



These refer to a project's ability to catalyze systemic changes that go beyond those effects brought about by the project itself.

The AIMM System Deconstructed

Project Outcomes

(includes direct and indirect effects)

Stakeholder effects

Economy-wide effects

Environmental and social effects

Contribution to Market Creation

(includes systemic effects on markets)



Competitiveness



Resilience



Integration



Inclusiveness



Sustainability

For **market-level 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. These markets also support product or process innovation, improved management practices, and/or lower product cost.
- » **RESILIENCE** This objective refers to improving the depth, structure, regulation, and governance of markets to help them withstand shocks.
- » **INTEGRATION** Promoting this objective involves the enhancement of physical and/or financial connectivity, within and across markets.
- » **INCLUSIVENESS** Markets that are more inclusive are those that support fair and full access by marginalized groups to goods and services, finance, and economic opportunities.
- » **SUSTAINABILITY** Markets are more sustainable when firms and consumers adopt environmental and social sustainability technologies and practices.

To deliver one or more of the market objectives, IFC's interventions identify channels through which **systemic changes** occur. These channels refer to actions that:



» Put in place frameworks that enable markets to deliver market objectives (policy/regulatory, platforms, financial)



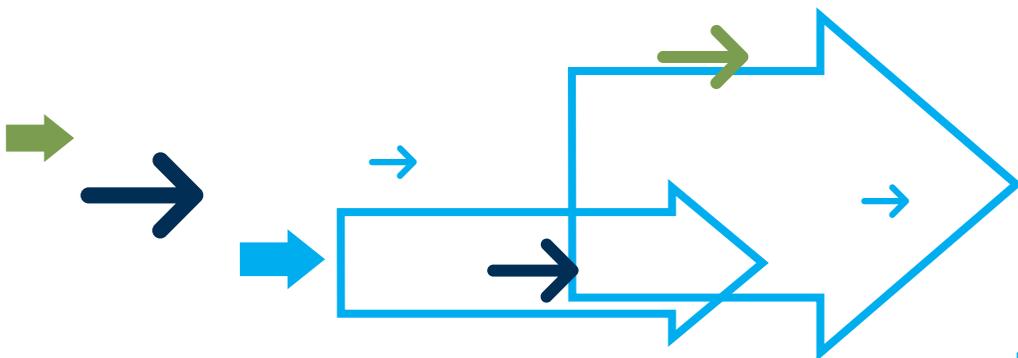
» Promote competition (innovation, improved management, cost reductions/efficiencies) which causes other market players to up their game



» Provide demonstration effects, replication, and more generally the spillover of ideas while creating new productive networks



» Build capacity and skills that open new market opportunities and support market objectives



Is there a link between the AIMM system and the Sustainable Development Goals (SDGs)?

YES! The AIMM system helps IFC maintain a line of sight from its intermediate (including market) objectives to the World Bank's twin goals and the SDGs. We evaluate our incremental impact by comparing the direct and indirect outcomes of an IFC intervention to a scenario without one. The project rating system seeks to capture the core elements of these development outcomes.

By design, the AIMM system measures project-level and systemic outcomes (“creating markets”) against objectives that are associated with the SDGs and helps IFC contribute to achieving the twin goals.

IFC Intermediate Objectives are Derived from IFC Articles of Agreement and Contribute to IFC's Ultimate Goals



IFC ARTICLES OF AGREEMENT (Art. 1)

...further economic development by encouraging the growth of productive private enterprises

...seek to stimulate, and to help create conditions conducive to the flow of private capital, domestic and foreign, into productive investment in member countries

PROJECT OUTCOMES

Implement investment & advisory projects to support private sector activity that generates impact

Implement projects that generate (positive):

- » Stakeholder effects
- » Economy-wide effects
- » Environmental and social effects

MARKET CREATION

Implement investment & advisory projects that enable the development of new markets or systemic changes to existing markets

Create markets that can deliver sustainable development impact and therefore are:

- » Competitive
- » Resilient
- » Integrated
- » Inclusive
- » Sustainable

TWIN GOALS

SECTOR IMPACTS

CROSS-SECTOR IMPACTS

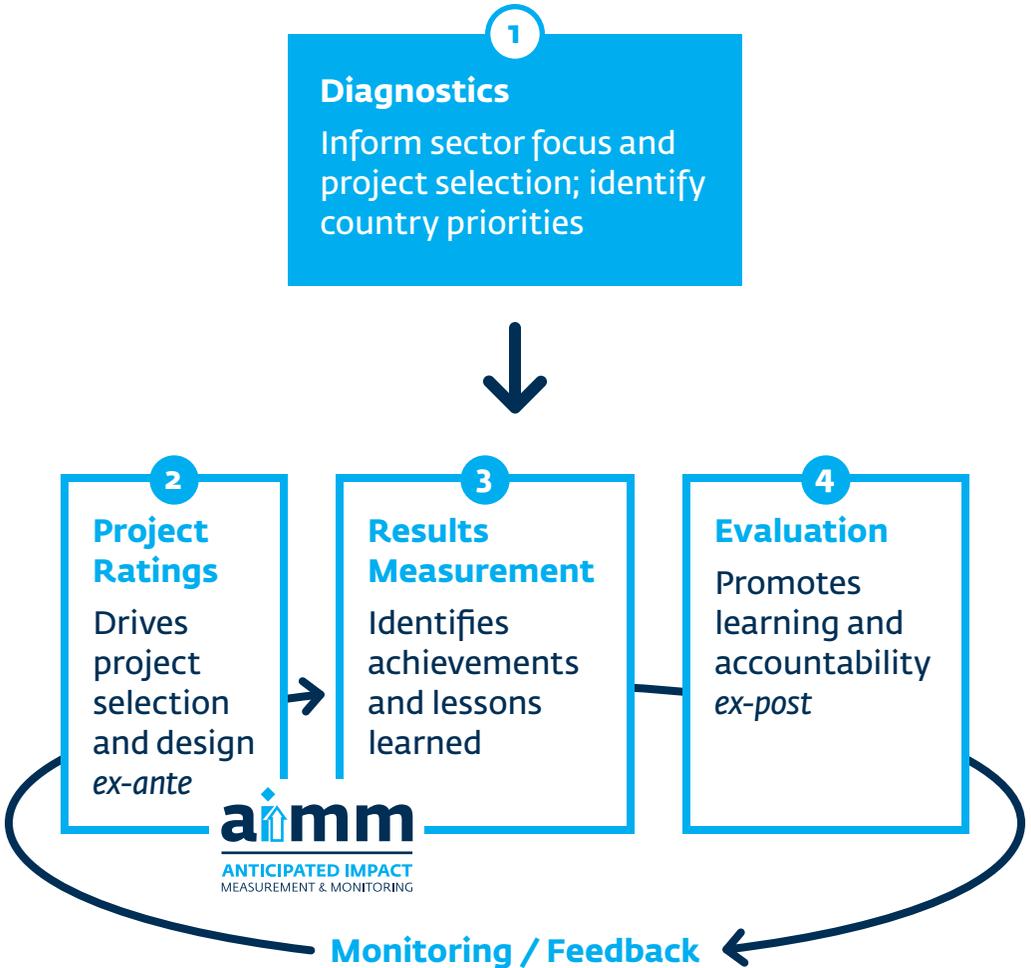
- 1 NO POVERTY
- 2 ZERO HUNGER
- 3 GOOD HEALTH AND WELL-BEING
- 4 QUALITY EDUCATION
- 5 GENDER EQUALITY
- 6 CLEAN WATER AND SANITATION
- 7 AFFORDABLE AND CLEAN ENERGY
- 8 DECENT WORK AND ECONOMIC GROWTH
- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
- 10 REDUCED INEQUALITIES
- 11 SUSTAINABLE CITIES AND COMMUNITIES
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
- 13 CLIMATE ACTION
- 14 LIFE BELOW WATER
- 15 LIFE ON LAND
- 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
- 17 PARTNERSHIPS FOR THE GOALS

Why is there a second “M” in the AIMM system?

The second “M” stands for “monitoring,” an essential component of the AIMM system. Each development outcome claim in IFC projects is explicitly tied to one or more monitoring indicators, regularly tracked during portfolio supervision. By tracking these indicators, the AIMM system links project ratings with real-time results measurement findings. There is also a structural link between front-end diagnostics and ex-post evaluation functions.

The AIMM system thus connects (1) diagnostics to (2) ex-ante project selection/scoring, which is tied to (3) results measurement during portfolio supervision and, ultimately, to (4) ex-post evaluation. 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.

An End-to-End Support System for Impact Assessment



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