MEASURING UP: OUR IMPACT

Measuring the results of our work and evaluating our effectiveness are fundamental to IFC's approach to development.

MEASURING THE IMPACT OF IFC OPERATIONS

IFC's impact assessment tool, the Anticipated Impact Measurement and Monitoring (AIMM) system, enables IFC to better define, measure, rate, and monitor the development impact of each investment project.

The ex-ante AIMM rating system, which assesses a project's expected impact, is fully integrated into IFC's investment approval processes and allows development impact considerations to be weighed against a range of strategic objectives, including volume, financial return, risk, and thematic priorities.

For projects in IFC's portfolio, ex-ante AIMM scores are transitioned to a portfolio AIMM score that is reviewed annually. AIMM portfolio monitoring assesses a project's performance and the underlying risks to achieving expected development impact using results data from assigned outcome indicators. By comparing changes in indicator results to both ex-ante targets and AIMM sector framework benchmarks, we are able to link the ex-ante AIMM score to its evolving portfolio AIMM score and measure the extent to which the expected development impact is realized.

The AIMM system helps operationalize IFC's strategy by providing a robust operational framework that:

- Improves our ability to identify and design projects that maximize our development impact;
- Sets ambitious targets and incentives;
- Strengthens our capacity to deliver an optimal mix of projects that generate both high development impact and solid financial returns; and
- Provides an "end-to-end" approach to results measurement by linking ex-ante assessments with the learning and accountability function.

Since its introduction in FY18, the AIMM framework has delivered over 2,300 ex-ante and 4,400 portfolio impact scores. The framework is being continuously refined and streamlined to meet business needs.

AIMM SCORES

In FY23, IFC committed 243 investment projects that received ex-ante AIMM scores. The table below summarizes ratings over the past two years.

Investment Ex-Ante AIMM Ratings for Projects Committed in FY23 and FY22

	SHARE OF PROJECTS	
AIMM Rating Categories	**FY23 (243 PROJECTS)**	**FY22 (225 PROJECTS)**
Excellent	14%	11%
Good	68%	61%
Satisfactory	18%	28%
Low	0%	0%

The FY23 AIMM portfolio comprises 1,130 active projects that have received ex-ante AIMM scores. The table that follows summarizes ratings over the past two years.

Investment Portfolio AIMM Ratings, FY23 and FY22

	RATING DISTRIBUTIONS	
AIMM Rating Categories	**FY23 (1,130 Projects)**	**FY22 (1,034 Projects)**
Excellent	11%	8%
Good	54%	55%
Satisfactory	25%	27%
Low	10%	10%

Detailed AIMM scores by region and industry, as well as selected IFC client reach can be found on IFC's Annual Report website.

This is the fourth year IFC is publishing portfolio AIMM scores for investment projects under supervision. Changes in portfolio AIMM scores inform investment managers of progress in delivering development outcomes for active investment projects. The FY23 average portfolio AIMM score was 48. The average ex-ante AIMM score at approval for these same projects was 49, which suggests that at the portfolio level, overall, these projects are delivering on expected development impact during implementation.

Ratings of Advisory Projects: Development effectiveness of advisory projects is assessed at project completion. In FY23, 98 advisory projects qualified for ex-post evaluations, and 61 percent of these projects were self-rated to be mostly successful or better.

The FY23 overall success rates for the advisory services portfolio is trending lower relative to FY22, largely because of the effects of the COVID-19 pandemic and other externalities, particularly in Africa, Europe, and for global projects. Despite the decline of the overall IFC success rate, success rates for the advisory services portfolio increased in the Middle East, Central Asia, Türkiye, Afghanistan, and Pakistan Region. Additional details can be found on IFC's Annual Report website.

SETTING STANDARDS FOR IMPACT INVESTING

Since their launch in 2019, the **Operating Principles for Impact Management** (Impact Principles) have become the market standard for impact investors. By adhering to these principles, impact investors can help ensure that their investments meet a high standard for social and environmental impact, which can translate into more effective use of capital. Beginning with 58 founding signatories, the Impact Principles have grown significantly, and the number of signatories has tripled to 177. The signatories come from 39 countries and represent $516 billion in assets focused on impactful investments. IFC hosted the Secretariat for the Impact Principles until October 2022, when we transferred hosting responsibilities to the Global Impact Investing Network.

In addition, IFC is a founding partner of the **Harmonized Indicators for Private Sector Operations (HIPSO)**. The 28 development finance institutions (DFIs) in the HIPSO Whole Group work to develop metrics at the sector and sub-sector levels that could be leveraged by the signatories to the Impact Principles and the broader impact investing community. In the past year, the HIPSO partnership revised metrics for agribusiness, health, and education and drafted new indicators in increasingly topical areas like disruptive technologies and job quality. The HIPSO platform has a key role to play in ensuring best practices in metrics for monitoring development impact are made widely available to non-DFI partners. It is also designed to nurture a culture of sharing knowledge and learning, including sharing knowledge on impact management systems, theories of change and mapping evidence gaps, and harmonizing data collection templates.

ALIGNING WITH THE SUSTAINABLE DEVELOPMENT GOALS (SDGs)

IFC operations contribute to several SDGs through direct investments and advisory services. Integral to IFC's mandate and aligned with the World Bank Group's goals are SDGs 1 and 10: "No Poverty" and "Reduced Inequalities." At the strategic sector level, IFC promotes projects in infrastructure, agriculture, financial inclusion, health, and education—aligned with SDGs 2, 3, 4, 6, 7, and 9.

IFC also actively partners with private investors to mobilize new sources of finance—aligned with SDG 17. IFC continues to promote job creation and economic growth, gender equality, cities development, environmental and social sustainability, and climate-change adaptation and mitigation—aligned with SDGs 8, 5, 11, 12, and 13, respectively. IFC's clients' contribution to the SDGs is highlighted on the IFC SDG Dashboard on IFC's website.

IFC, together with other DFIs who are HIPSO partners, has developed a common methodology to align DFI contributions with the SDGs, available for broader use by private impact investors and corporates. Additional information is available at: https://indicators.ifipartnership.org/dashboard/.

LESSONS FROM RESEARCH, ANALYTICS, AND SELF-EVALUATION PROGRAMS

IFC uses a combination of research, data analytics, and self-evaluations to fill knowledge gaps and provide real-time solutions to clients and operational staff. These insights generate important lessons that inform new client engagements. Notable examples from FY23 are detailed below:

- **Impact Evaluation on Africa Improved Foods Limited (AIF Project) in Rwanda:** IFC completed a six-year-long impact evaluation of the AIF Project in FY23, using a matched difference-in-difference quasi-experimental design to assess the impact on farmer livelihoods. Both IFC own-account and blended concessional finance from the Private Sector Window of the Global Agriculture and Food Security Program were used to finance the construction and operation of a 45,000 metric tons processing plant to produce fortified cereal bars for undernourished children and lactating mothers to combat chronic malnutrition. The evaluation found positive impacts for the treatment group on maize production, poverty rate, household livestock income, and household ownership of non-agricultural assets. These effects represent statistically significant positive differences from those of the comparison group, with the treatment group having 1.5 to 2 times higher increase in the production, sales, and revenue of planting maize as well as agricultural revenue. The likelihood of living below the international poverty line of $2.15 a day decreased by 4.7 percentage points for treatment cohorts supplying to the project for more than three years. An earlier assessment of the AIF Project found that, during the forecast period of 2016 to 2031, the project was expected to generate $758 million in net incremental benefits to the Rwandan economy, 70 percent ($532 million) of which is labor value added, mostly through reclaimed labor productivity on the consumer side from reduction in malnutrition and stunting.
- **The Impact of Shared Telecom Infrastructure on Digital Connectivity and Inclusion:** Published in collaboration with the Toulouse School of Economics, this working paper, using data from 150 countries spanning over 12 years, found that shared telecom infrastructure resulted in improved affordability of mobile internet and increased uptake by women and rural households. A substantial number of individuals remain unconnected to the internet despite an increasing emphasis on infrastructure-based competition. This paper investigates the impact of shared telecom infrastructure on digital connectivity and inclusion using a new dataset on mobile tower sharing transactions between 2008 and 2020, i.e., acquisitions of towers by independent companies from mobile network operators to be rented back to all operators. Estimates based on difference-in-differences with different timing of treatment suggest that these transactions resulted in a significant drop in the price of mobile connectivity as well as an increase in availability and uptake of mobile internet, especially by rural households and women. Our findings suggest that increased competition intensity through reduced market concentration appears to be the main driver of these outcomes.
- **Impact of the legal reforms on the e-payment market in Bangladesh:** IFC undertook an analysis to assess the contribution of the two e-payment regulations (the Bangladesh Payment and Settlement Systems and the Bangladesh Electronic Fund Transfer Regulations in 2014), supported by the Bangladesh Investment Climate Fund (BICF), to the development of the e-payment market in Bangladesh. The IFC-supported reforms are part of a larger World Bank Group package. The analysis found that IFC-supported regulations directly contributed to the licensing of 13 commercial fintech companies and the development of a consumer protection framework required to enable the growth of e-payments. It also finds that regulation was a necessary but not sufficient condition for market development. The analysis found that the number of transactions of all three e-payment instruments (payment cards, internet banking, and mobile financial services) have grown significantly over time. The number of mobile financial services transactions was approximately 10 times larger than card-based transactions and 100 times larger than internet banking transactions in 2021. The use of e-payment technologies grew exponentially during the COVID-19 pandemic. Bangladesh is a regional leader on mobile money but lags on mobile and internet banking. Yet, further growth of e-payments is contingent on reforms around market competition, financial literacy, and awareness.
- **Climate Change Impact Management by Financial Institutions Survey:** The survey sought to take stock of financial institutions' capacity and readiness to manage climate-change-related risks and opportunities and the key challenges they are facing in aligning with the objectives of the Paris Agreement. One hundred seventy-seven financial institution clients across 73 emerging markets and developing economies were asked to share their levels of preparedness in four areas, namely strategy and governance, risk, finance, and reporting and disclosure. The survey results indicated that awareness of climate risks is widespread but scarcity of data to inform decisions, inadequate regulation, and shortages of funding are preventing them from taking further action. Around a third of respondents see climate finance as a priority but their growing appetite for expansion of their green portfolios faces several hurdles, including low or insufficient customer demand for climate finance paired with the limited availability of longer-term funding and a limited breadth of climate finance products. The survey revealed that while only about a third of respondents have adopted three or more of the eleven recommendations by the Task Force on Climate-Related Financial Disclosures (TCFD), the share is set to reach 76 percent in the next two years. The results of the survey are valuable in identifying priority areas where further support from development finance institutions can have the most impact.