



How IFC Measures the Development Impact of Its Interventions



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ANTICIPATED IMPACT
MEASUREMENT & MONITORING

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Finance Corporation
WORLD BANK GROUP
Creating Markets, Creating Opportunities

IFC's strategy firmly places development impact at the heart of what we do. In 2017, IFC developed an ex-ante impact assessment tool—**the Anticipated Impact Measurement and Monitoring (AIMM) system**. The tool enables us to better define, measure, and monitor the development impact of each project. IFC currently scores all of its investment projects for development impact using the AIMM system and has recently started to rate advisory service projects. The AIMM system is now fully integrated into IFC's operations, allowing development impact considerations to be weighed against a range of strategic objectives, including volume, financial return, risk, and thematic priorities.



“I want to put development impact at the heart of IFC and to put IFC at the heart of development.”

*-Philippe Le Houérou,
IFC CEO, 2016–2020*

What is the AIMM system?

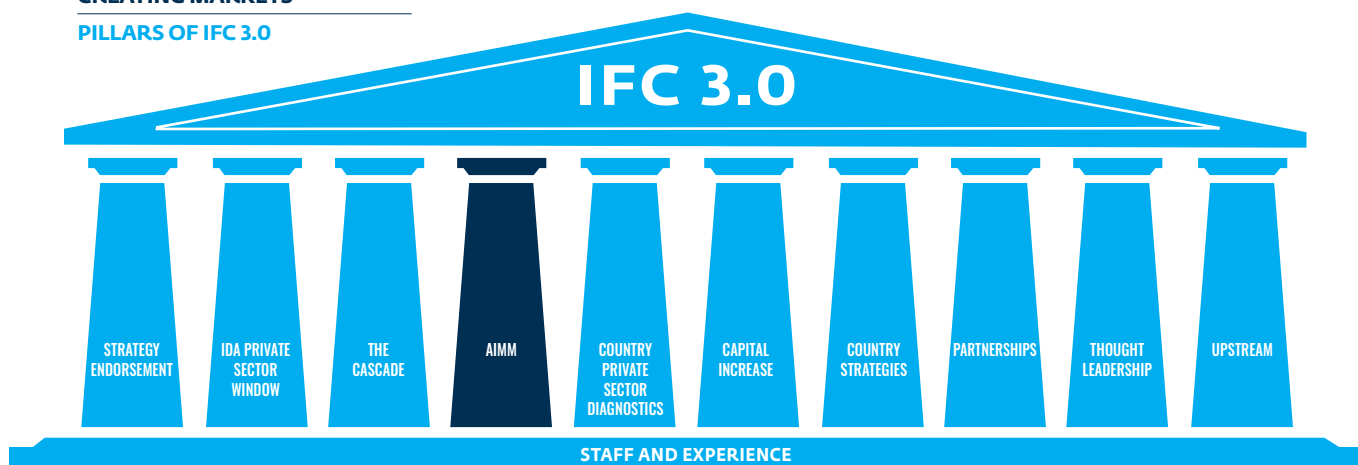
The AIMM system enables IFC to measure the development impact of its investment and advisory projects. The AIMM system helps operationalize IFC's strategy ("IFC 3.0") by providing a robust operational framework that:

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

The AIMM system provides a clear line of sight from IFC's mandate, through intermediate corporate objectives, to the World Bank's goals and the Sustainable Development Goals (SDGs). 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, like market creation, against objectives that are associated with the SDGs and helps IFC contribute to achieving the World Bank Group's two goals to end extreme poverty and promote shared prosperity.

AN ARCHITECTURE FOR CREATING MARKETS

PILLARS OF IFC 3.0



The AIMM system incorporates several innovative approaches to assess development impact



It expands the standard focus on direct stakeholder effects by including economy-wide effects, which are estimated based on the most relevant **economic modeling techniques**.



It considers a range of **environmental effects** (e.g. water efficiency, biodiversity, adaptation, greenhouse gas emissions).



It expands the focus on direct effects by including explicit **catalytic or systemic effects** on markets.



It considers both context through sector-specific development **gap assessments** and project design features through an **assessment of the project intensity/efficiency**.



It draws on a reservoir of 200 **gap indicators** and 600 **intensity indicators** across AIMM sector frameworks developed to date. For each of these definitions, **normalization** (as possible) and **benchmarks** have been created, using available data, evidence, and technical expertise within IFC, the World Bank, and other recognized external sources, including partner development finance institutions.

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, and the community); the direct, indirect, and induced effects on the economy and society (e.g. jobs and value added) overall; and the effects on the environment.



Market outcomes

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

Project outcomes

Along the project outcome dimension, the AIMM system assesses a project's effects on stakeholders, the economy, as well as the environment and society.



Stakeholder effects assess the net incremental benefits that accrue from an IFC intervention. Stakeholders include the customers, suppliers, and employees of the company receiving financing, as well as local communities. In cases where the client is a financial intermediary, stakeholders will include recipients of loans or other financial services.



Economy-wide effects are those indirect or induced economic outcomes, including externalities and spillovers that are generated by the project's linkages to the economy. When relevant, IFC uses economic modeling tools to estimate these effects (mainly on value added and job creation).



Environmental effects relate to environmental and social sustainability outcomes such as the reduction or avoidance of greenhouse gas emissions, improved water efficiency, reduced pollution, biodiversity effects, and/or improvements in social welfare not captured as part of a stakeholder or economy-wide effect.

Market outcomes

For market 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, innovating and striving for efficiency under essential regulatory and government intervention. 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 physical, financial, economic and/or climate related shocks and stresses, where relevant.



Integration: Integrated markets improve the reach and delivery of services by increasing 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: Sustainable markets are those where firms and consumers adopt climate related, environmentally and socially sustainable products, technologies and practices.

Creating markets is difficult and often takes multiple and coordinated interventions that involve upstream activities and market enabling work at the sector level. To deliver one or more of the market objectives, IFC's interventions rely on at least four channels through which sector-wide or systemic market changes flow.

Market Enabling

Create the frameworks within which markets can function, including policy, regulation, platforms, financial, and other interventions



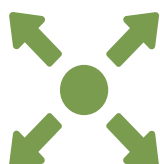
Innovation and Competition

Promote competition through innovation, improved management, cost reductions, and efficiencies that encourage other market players to continue improving their products and services



Demonstration and Replication

Provide demonstration effects, encouraging replication and more generally the spillover of ideas



Capacity Building

Build capacity and skills and create standards that open new market opportunities and support market development



AIMM building blocks

IFC has developed over two dozen sector frameworks to assess projects across all four IFC industries:

- ➔ Financial Institutions Group (FIG)
- ➔ Manufacturing, Agribusiness & Services (MAS)
- ➔ Infrastructure & Natural Resources (INR)
- ➔ Disruptive Technologies and Funds (CDF)

These sector frameworks are a step-by-step guide to assessing IFC projects, providing an analytical frame to facilitate judgments of a project's expected outcomes and contribution to market creation. While the frameworks are sector-specific, the rating methodology is universal across sectors. They articulate the development impact thesis for IFC's activity in a sector, define benchmarks for the assessment of gaps and intensities, identify core project outcomes, and provide rating conventions for core impact claims and likelihood assessments. These frameworks helped circumscribe AIMM rating judgments, promoting rigor and evidence-based assessments.

Sector frameworks help assess desired effects by assigning ratings in four areas:



Gap: How big is the problem IFC is seeking to address?



Intensity: How much does the project contribute to the solution?



Impact potential: Based on the problem and contribution, what is the potential to deliver desired effects?



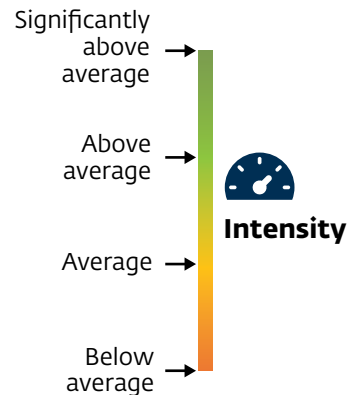
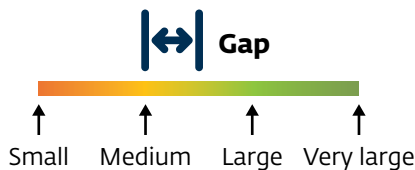
Likelihood: What is the likelihood that the project will deliver the desired effects?

All the sector frameworks are publicly available on IFC's external website at [www.](http://www.ifc.org/aimm)

[ifc.org/aimm](http://www.ifc.org/aimm) to practitioners and the development community for continuous feedback. We periodically update them to help ensure that the most current and best practices are in place and that the frameworks address implementation issues.



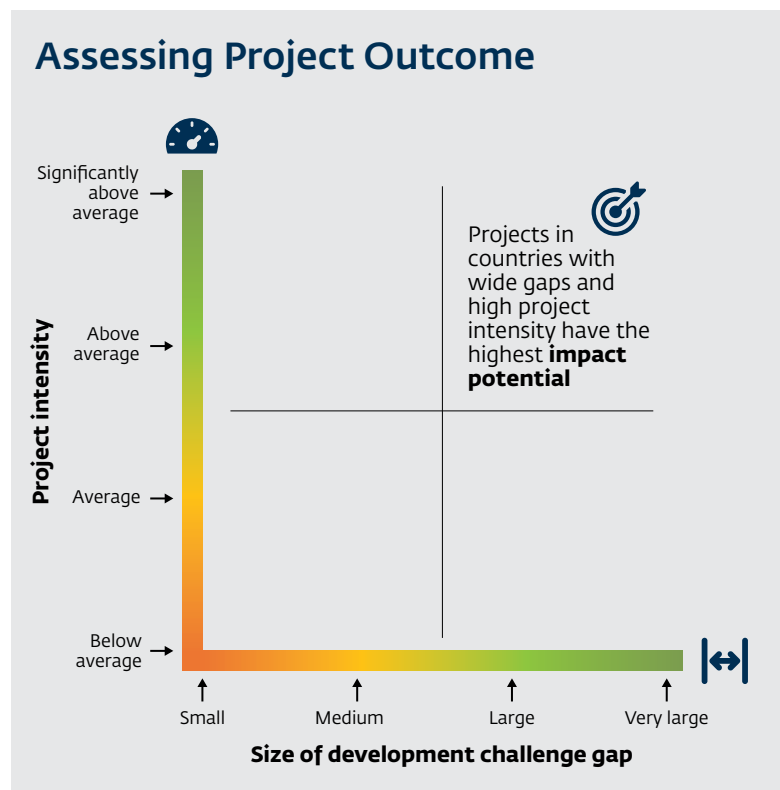
Impact potential

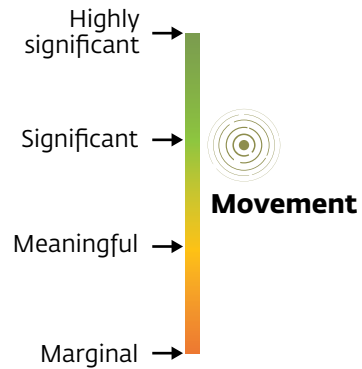
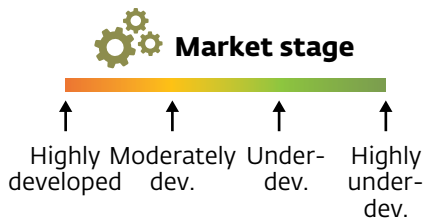


Along the **project outcomes** dimension, the **gap** analysis is an assessment of the relative size of the development challenge that each desired effect is addressing. When compared to other IFC emerging market and developing countries within the same sector, the gap assessment will identify where a country falls along a spectrum.

A project's contribution to overcoming development gaps is measured by its **intensity**. Along the project outcomes dimension, project effects are assessed for the degree to which they are contributing to a solution. The assessment is based on sector-specific benchmarks that are normalized so that small but well-targeted projects are not penalized.

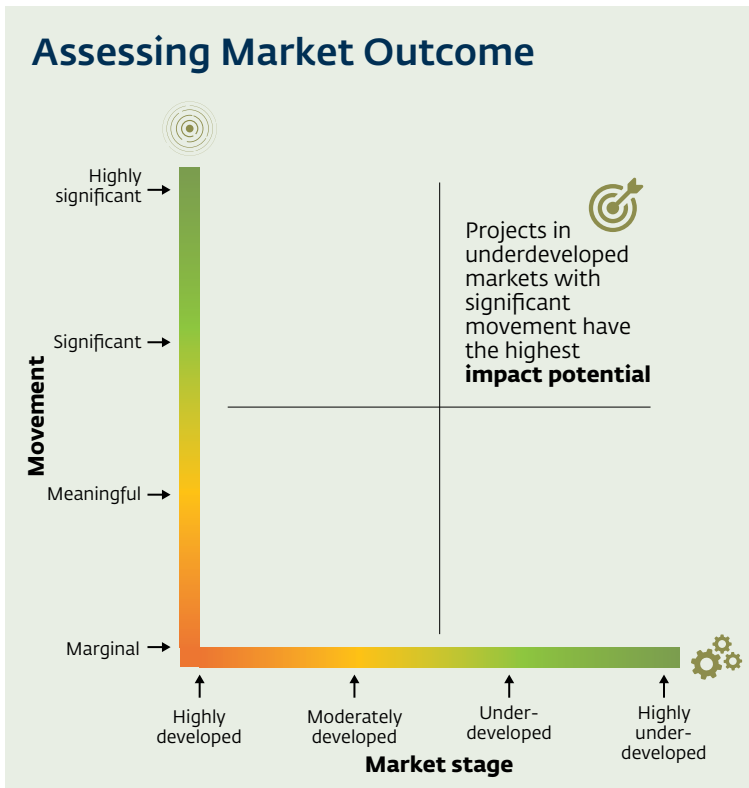
Once a gap assessment is paired with an intensity assessment, an overall **potential impact** rating is assigned. The potential for a particular effect to generate impact is a function not only of the scale of the problem (how wide the gap is), but also the efficiency of the intervention (its intensity). This approach gives greater weight to projects addressing wider development gaps and/or to projects that are innovative or creatively designed to deliver outcomes efficiently.





Along the **market creation** dimension, a similar gap assessment is made using market typologies to describe different **stages of market development**. The market creation dimension assigns stages to market development for each of the five market attributes. The AIMM system defines how developed the market is by situating the current market in one of these stages.

A project's contribution to improving the structure and functioning of markets is measured by an assessment of market movement. Similar to the project outcomes dimension, a judgment is made as to how much a project contributes to the promotion of identified market attributes.



Once a market stage assessment is paired with a market movement assessment, an overall potential impact rating is assigned. The potential for a systemic change in the market is a function of both the stage of market development and the catalytic change that IFC expects its project to generate. The rating system gives greater weight (assigns higher potential ratings) to effects that address the widest development gaps and least advanced markets.

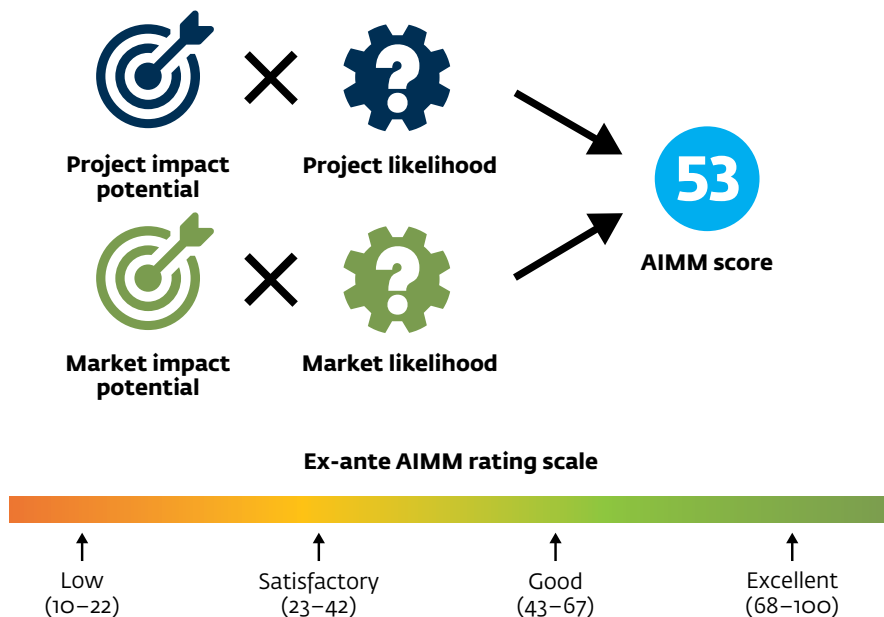
Detailed mappings of market gaps and stages along with potential project intensities and market movements are set out in the respective sector frameworks.

Likelihood

The AIMM system considers the uncertainty of realizing and sustaining the desired effects, for both project and market-level dimensions, over time. The likelihood assessment is intended to make a distinction between the potential outcomes that a project could deliver and risks that may affect their realization. The likelihood that the desired effects will be achieved and sustained over time falls into three rating categories: Low, Medium, and High.

AIMM Rating & Score

An ex-ante AIMM rating is based on a series of qualitative judgments that are converted into a score.



IFC uses AIMM ratings to better select and design interventions that maximize impact. The aggregation of AIMM scores for different business segments helps IFC manage its pipeline of interventions and develop strategies to address deficiencies. Portfolio ratings will also help IFC balance strategic priorities in pursuit of the portfolio approach, which seeks to maximize development impact consistent with the need to generate sustainable, risk-adjusted financial returns.

Supervision under the AIMM system

The monitoring of outcomes is an essential component of the AIMM system as it links ex-ante assessments with the learning and accountability function embedded in IFC's existing results measurement system. Each development outcome claim in IFC projects is explicitly tied to one or more monitoring indicators and regularly tracked during portfolio supervision. By tracking these indicators, the AIMM system links project ratings with real-time results measurement findings.

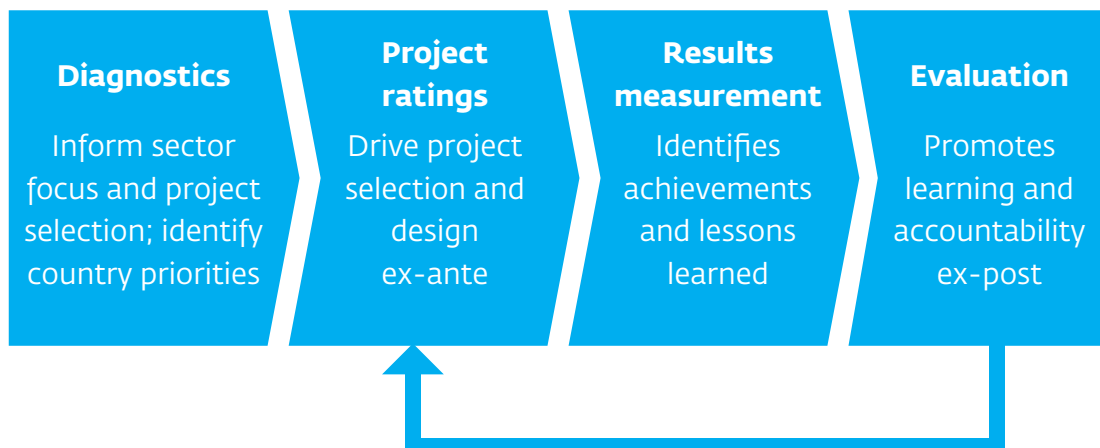
Monitoring helps IFC:

- ➔ **Track and report on ex-ante expectations** of development impact claims throughout the project lifecycle;
- ➔ **Create information feedback loops** to facilitate corrective actions that address

shortfalls in the delivery of development impact claims; and

- ➔ **Generate an inventory of lessons learned** from portfolio developments to improve the selection and design of future projects.

There is also a structural link between front-end diagnostics and ex-post evaluation functions. The AIMM system thus connects diagnostics to ex-ante project selection, which is tied to results measurement during portfolio supervision and, ultimately, to 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.



Spotlight

Several notable projects underscore how IFC's AIMM system captures the development impact potential of its interventions.





Strengthening logistics infrastructure in Nigeria

In Nigeria, road freight accounts for 99 percent of long-haul transportation, a sector plagued by inefficiencies including low utilization of truck assets, low visibility on truck movement, lack of pricing transparency, and insufficient supply of trucks. Trips can take more than three times as long and cost twice the price in Nigeria compared with similar distance routes in the United States.

To help solve these challenges and inefficiencies, IFC invested \$6 million in equity in Kobo360, a tech-enabled e-logistics platform that connects the supply of trucks with the demand for transportation services by cargo owners in Nigeria. The company improves access to long-haul road freight services for large and small enterprises in the rapidly growing agribusiness, fast moving consumer goods, and manufacturing sectors.

Efficient logistics is a core component to growth, employment, and income within a national economy, accounting for 6–25 percent of GDP in developed countries. The project's AIMM assessment considered how IFC's investment in Kobo could help the digital platform increase services from 40 customers to 1,100, increase volume of goods shipped from 240,000 tons to 7 million tons, and grow the number of active monthly drivers from 1,280 to 20,000. In addition to reducing costs by 20 percent to customers compared to incumbent services, Kobo is expected to improve reliability of delivery through the use of real-time tracking that enables goods to be traced and provides insurance for goods in transit. This is particularly important given costs that customers often incur due to ongoing theft and security issues.

20,000

active drivers
(increase from 1,280)

7 million

tons of goods shipped
(up from 240,000)



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\$21 million

portfolio value
projected by 2022

660

new leases (8 times
current level) by 2022

Increasing financial inclusion of SMEs in Haiti

Haiti's small businesses, accounting for 80 percent of the country's employment, need comprehensive support to grow and contribute to the economy. Traditional banking services are often only available at the top of Haiti's market, while nearly half the country's micro, small, and medium-sized businesses have credit needs that financial institutions aren't meeting.

To address this issue, the World Bank worked with Haiti's Central Bank and Ministry of Economy and Finance to create the legal and fiscal framework to establish Haiti's leasing sector. This work helped launch Haiti's very first leasing company, Ayiti Leasing. IFC supported the launch of Ayiti Leasing and the ramp up of its activities, providing technical expertise to help set up the company, develop its products and procedures, and build its

capacity to operate on a commercial basis, in line with international best practices.

The AIMM assessment took into account how IFC's financing would help small and medium-size enterprises (SMEs) access the machinery, vehicles, and other costly items—everything from tractors and concrete mixers to power generators and medical equipment—to get the job done. IFC's funding will help Ayiti Leasing further expand a new financial product that is well suited to the needs and risk profiles of SMEs, increasing the company's portfolio eightfold to 660 leases worth \$21 million by 2022. The AIMM assessment also considered the project's potential to enhance competitiveness in the market by introducing an innovative product that is well suited to meet the needs and risk profiles of SMEs.

Bringing clean power to Cameroon

Nearly 40 percent of Cameroon's citizens have no access to electricity, and this percentage is much higher in rural areas.

To improve lives and long-term economic prospects, IFC and the World Bank are helping to finance the Nachtigal Hydropower Plant, a privately owned and operated 420-megawatt power plant. IFC's presence at the early development phase of the project also increased its appeal to commercial lenders by leveraging IFC's structuring capabilities. Key project development and structuring support also came from across the World Bank Group. This also ensured the project would be developed according to international environmental and social standards.

The Nachtigal project is IFC's largest power investment on the continent. It illustrates our "upstream" work and proactive

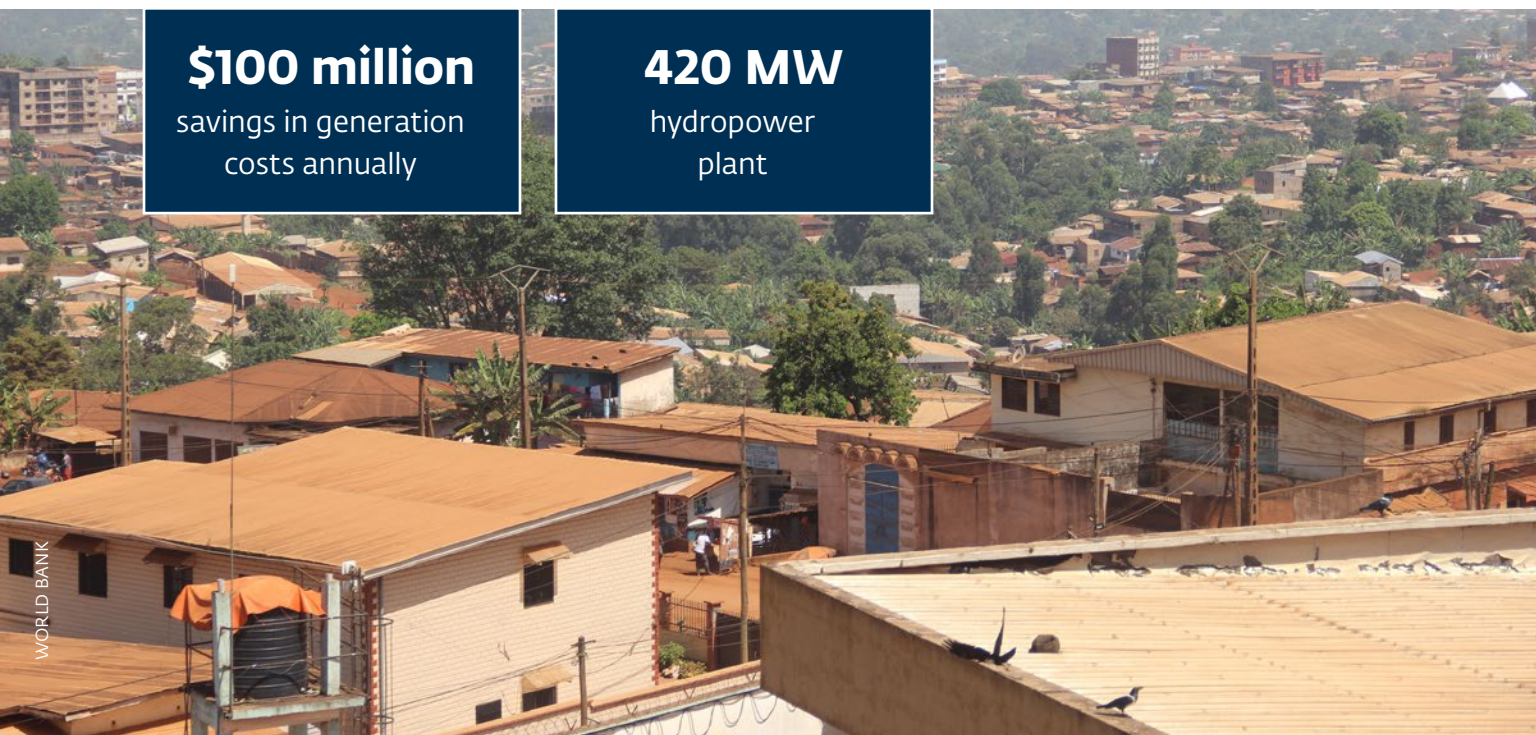
approach to development across Sub-Saharan Africa, home to almost half of all people who live in extreme poverty. The AIMM assessment considered how the €1.2 billion Nachtigal facility will increase the country's power-generation capacity by nearly a third and bring clean, affordable power to millions. Selling electricity at around €0.06 a kilowatt hour, Nachtigal will provide very cheap power that will help sustain economic growth and save the country \$100 million in generation costs annually. Construction of the plant, which is expected to begin operations in 2023, will create up to 1,500 direct jobs, of which 65 percent will be locally sourced. The AIMM assessment took into account how supporting an independent power producer (IPP) alongside sector reforms in Cameroon could help set a precedent for future IPPs.

\$100 million

savings in generation costs annually

420 MW

hydropower plant



Milestones

A fully operational system

- ➔ More than two dozen sector frameworks developed across four different industries
- ➔ New assessment methodologies developed for inclusion and fragility
- ➔ Over 1,400 investment projects assessed and scored with pilot rating of advisory services underway
- ➔ Multiple knowledge sessions, including workshops and trainings, organized for IFC staff

A tool to incentivize impact

- ➔ Top three scorecard targets are based on AIMM metrics to strengthen focus on development impact
- ➔ Corporate and departmental awards linked to development outcomes
- ➔ Scores help drive a portfolio approach that balances development and financial returns
- ➔ Portfolio monitoring completes the feedback loop and strengthens the learning and accountability function

A record of transparency

- ➔ Sector frameworks and guidance notes released for consultations

- ➔ AIMM scores reported at portfolio level in annual report
- ➔ Impact theses and core project outcomes disclosed at pre-approval stage

An emerging model for impact investors

- ➔ Operating Principles for Impact Management share AIMM measurement and monitoring approaches
- ➔ Seminars and training sessions for development finance institutions
- ➔ JP Morgan Development Finance Institution employs methodology based on AIMM principles
- ➔ Multilateral Investment Guarantee Agency system (Impact) modeled after AIMM constructs

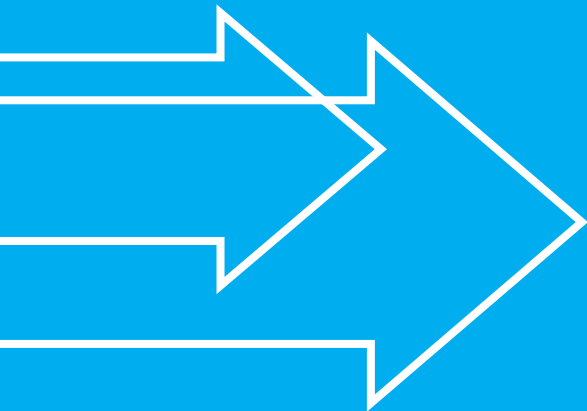
A leader in industry harmonization

- ➔ AIMM sector frameworks have been linked with indicators in the Harmonized Indicators for Private Sector Operations (HIPSO)
- ➔ Drawing on the AIMM system, HIPSO indicators and metrics are being aligned with IRIS+

The way forward

To deliver on its mandate and support the implementation of its strategy, IFC developed and adopted the AIMM system not only to capture, articulate, and document its development impact footprint but also to help ensure IFC selects and designs interventions that maximize impact. The aggregation of AIMM scores for different business segments helps IFC manage its pipeline of interventions and develop strategies to address deficiencies. Portfolio ratings enable IFC to balance strategic priorities in pursuit of the portfolio approach, which seeks to maximize development impact consistent with the need to generate sustainable, risk-adjusted financial returns.

IFC will continue developing and improving the AIMM system taking into account lessons from internal experience and best practices gathered from other impact measurement systems. Recent improvements made to the AIMM system to better capture the dynamic nature of development gaps reflect our commitment to help ensure accurate impact assessment.



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IFC—a member of the World Bank Group—is the largest global development institution focused on the private sector in emerging markets. We work in more than 100 countries, using our capital, expertise, and influence to create markets and opportunities in developing countries. In fiscal year 2020, we invested \$22 billion in private companies and financial institutions in developing countries, leveraging the power of the private sector to end extreme poverty and boost shared prosperity. For more information, visit www.ifc.org.

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