# MEASURING UP

It is often said that what is measured gets done. Measuring the results of IFC's work — and evaluating our effectiveness — is fundamental to our approach to development.

## **Understanding Our Development Impact**

IFC has developed a comprehensive system to guide operations to maximize development impact and improve our performance each year. Potential projects are analyzed by an assessment of anticipated development impact that informs project selection and design. This is deepened by regular monitoring of operational project results and, eventually, selective evaluation of mature projects to identify impacts achieved and lessons learned.

#### AIMM—ASSESSING EXPECTED DEVELOPMENT IMPACT AND MEASURING RESULTS

The Anticipated Impact Measurement and Monitoring (AIMM) system, launched in July 2017, is IFC's development impact rating system. Potential projects are rated ex-ante and selected based on their expected development outcomes. This approach enables us to set ambitious yet achievable targets, select projects with the greatest potential for development impact, and optimize project design.

The AIMM system assesses a project's outcomes as well as its effect on market creation. It looks at how project beneficiaries — including employees, customers, and suppliers — are affected. It also examines broader effects on the economy and society. With the AIMM system, IFC can examine how a project promotes objectives that contribute to the creation of markets — by enhancing competitiveness, resilience, integration, inclusiveness, and sustainability. Ultimately, the system helps IFC maintain a line of sight from our intermediate objectives to the World Bank Group's twin goals and the United Nations Sustainable Development Goals.

The AIMM system incorporates country context in its assessments and captures greater development impact potential in projects that seek to address the widest gaps in the most difficult environments.

## **AIMM Development Gaps Visualization Tool**

The AIMM Development Gaps Visualization Tool provides information about cross-country gap indicators used in AIMM assessments to identify and benchmark the development challenges IFC seeks to address through its interventions across sectors. This information can also inform analytics for Upstream, strategy, and portfolio work streams across IFC.

Benchmarks and thresholds in the visualization tool reflect those defined in AIMM sector frameworks, following AIMM benchmarking guidelines. The underlying data are updated every year. The tool has a user-friendly interface that allows users to customize visualization options, including distribution, correlation, and trend charts, as well as filters to focus on specific sector gaps and country groupings.

#### WHAT EX-ANTE AIMM SCORES SAY ABOUT IFC'S **DEVELOPMENT IMPACT**

At the start of FY20, IFC established development impact targets for projects committed in the fiscal year. For projects committed in FY20, these targets are: (1) an average ex-ante AIMM score of at least 50; and (2) at least 15 percent of committed projects rated "Very Strong" for market creation potential. This is the second year in which IFC has defined in quantitative terms our development impact ambitions for new projects at the start of a fiscal year.

In FY20, IFC committed 215 projects that were AIMMscored compared to 187 projects scored in FY19. The average AIMM score for projects committed during FY20 was 51, versus 501 in FY19, and just above the annual target. Of the 215 projects, 18 were rated "Very Strong" for market creation potential, corresponding to an 8 percent share of all AIMMscored projects. This percentage is well below the 15 percent ambition IFC set as a target. It is also below the 12 percent share in FY19. A contributing factor for this drop-off was the emergence of the COVID-19 crisis, which prompted IFC to invest heavily in supporting existing clients' operations and affected our ability to commit projects with "Very Strong" market creation potential.

Nearly three in four (74 percent) AIMM-scored projects committed in FY20 received an AIMM rating of "Good" compared to more than half (58 percent) in FY19. Strong commitment performance for COVID-19 response projects during the last quarter of FY20 likely contributed to this increase in the share of projects rated "Good."

The tables on the next page summarize key outcomes from the second year of implementing the AIMM system on an ex-ante basis.

While IFC doesn't disclose individual project AIMM scores, several notable AIMM-scored projects committed in FY20 underscored IFC's key contributions to addressing the most urgent development challenges, including:

• IFC played an important role in sustaining livelihoods and preserving the private sector's capacity to support the economic recovery from COVID-19, as exemplified by our financial support to Hattha Kaksekar Limited (HKL) and Amret Plc., Cambodia. The unprecedented global shock triggered by COVID-19 caused sharp decelerations in most of Cambodia's main engines of growth in the first quarter of 2020. IFC financing will help HKL and Amret increase their working capital lending programs to Cambodian micro, small, and medium enterprises (MSMEs) that have been affected

- by COVID-19, particularly those in the garment, tourism, and construction sectors. At least 30 percent of this investment is expected to be used by HKL and Amret to provide working capital to women borrowers and women-owned and led MSMEs in Cambodia.
- Sub-Saharan Africa continued to feature prominently in IFC's infrastructure portfolio, as demonstrated by our investment in Kahone Solaire SA, Senegal. This joint World Bank Group Project supports Senegal's efforts to increase private participation in the renewable energy sector. The Project was developed under the World Bank Group's Scaling Solar Program, which is designed to establish competitive procurement modalities for utilityscale solar projects in the country, enhancing market competitiveness and improving resilience of the power system. The Project consists of the design, construction, interconnection, ownership, and operation of two solar photovoltaic (PV) power plants in Senegal, the 44 Megawatt peak (MWp) Kahone plant and the 35 MWp Touba plant.
- The Middle East and North Africa also remains a priority region for IFC, as demonstrated by our financing for Classic Fashion Apparel Industry Ltd. Co., Jordan. IFC financing will help Classic Fashion Apparel Industry ramp up its current production of technical garment and denim products and increase exports by \$100 million annually by the following year. In the next five years, exports are expected to double to \$1 billion annually. By expanding its garment production and doubling its revenue, Classic Fashion Apparel Industry will contribute to about 25 percent of the growth of the garment sector in Jordan.
- In South Asia, and through innovative financing commitments delivered to NMB Bank Limited, Nepal, we maintained our focus on environments where the development challenges faced by the underserved are most acute. This is IFC's first climate-focused lending project in Nepal to incorporate the internationally recognized Green Loan Principles. Until now, no bank in Nepal has adopted the Green Loan Principles, and there are no established green building standards. Through

<sup>1.</sup> The FY19 Annual Report references an AIMM score average of 64, which translates to 50 under the new scoring methodology instituted in FY20.

## **Average AIMM Scores for Committed Projects in IDA/FCS Countries and for Blended Finance**

	AVERAGE AIMM SCORE		
DESCRIPTION	FY20	FY19	
Committed projects in FCS countries	55	54	
Committed projects in FCS/LIC/IDA17 countries	57	55	
Committed projects in IDA countries	54	53	
Committed projects using blended finance	55	57	

## **Committed Projects: Ex-Ante AIMM Score by Region**

	FY20			FY19				
BY REGION	NUMBER OF PROJECTS SCORED	AIMM SCORE AVERAGE	STF	ATED VERY RONG RKET	NUMBER OF PROJECTS SCORED	AIMM SCORE AVERAGE	STF	ATED VERY RONG RKET
Sub-Saharan Africa	51	54	6	12%	44	52	8	18%
Latin America and the Caribbean	37	46	0	0%	38	45	4	11%
East Asia and the Pacific	36	52	2	6%	37	51	5	14%
Middle East and North Africa	17	54	2	12%	12	43	2	17%
Europe and Central Asia	32	44	3	9%	14	48	2	14%
South Asia	32	53	3	9%	34	53	0	0%
Global	10	54	2	20%	8	55	2	25%
IFC	215	51	18	8%	187	50	23	12%

## Committed Projects: Ex-Ante AIMM Score by Industry

	FY20			FY19			
BY INDUSTRY	NUMBER OF PROJECTS SCORED	AIMM SCORE AVERAGE	STE	ATED VERY RONG RKET	NUMBER OF PROJECTS SCORED	AIMM SCORE AVERAGE	RATED VERY STRONG MARKET
Manufacturing, Agribusiness, and Services	71	51	3	4%	63	49	3 5%
Financial Institution Group	84	50	7	8%	84	48	8 10%
Infrastructure and Natural Resources	39	53	7	18%	19	53	4 21%
Disruptive Technologies and Funds <sup>2</sup>	30	48	2	7%	34	56	10 29%
IFC <sup>3</sup>	224	51	19	8%	200	52	25 13%

<sup>2.</sup> This is a new department in FY20 that includes all sub-sectors from the predecessor, FY19 department (Telecom, Media, Technology, and Venture Investing) except telecommunications infrastructure.

<sup>3.</sup> The industry totals for FY19 and FY20 do not match regional totals because of joint ventures between industries. Each industry is allocated a full project count for each joint venture in which it participates.

- this investment, IFC will extend long-term financing to one of Nepal's fast-growing commercial banks to support green projects and SMEs. This will help facilitate access to finance for SMEs and provide long-tenor credit to climate finance projects.
- Finally, in sectors where the private sector has been particularly reluctant to invest, IFC has deployed concessional funds (blended finance) to help demonstrate the viability of companies such as exemplified by our work with Kaebauk Investimentu no Finansas, Timor-Leste. This project is part of a holistic farming-to-financing approach that addresses financing gaps in a critically important sector. With the support of concessional funds from the IDA Private Sector Window, IFC is improving productivity in agribusiness by developing a sufficient flow of bankable agribusiness financing opportunities, which will provide more and better financial access to underserved farmers, and agrienterprises, including those owned by women.

#### LATEST AIMM DEVELOPMENTS IN FY20

IFC has now assessed over 1,400 investment projects for their expected development impact and assigned ex-ante — or expected — AIMM scores to each. Notable developments in FY20 included the following:

- IFC revised the AIMM scoring methodology to improve the transparency of the rating scale while preserving key features of the assessment methodology and formula-based scoring system. Scores reflected in this report are based on the new scoring scale, including scores from FY19 that have been re-scaled according to the new methodology.
- IFC provided technical assistance to a range of impact investors on the AIMM system, supporting efforts to harmonize approaches to impact measurement.
- IFC expanded the AIMM system's capacity to measure impact and better articulate the development results for its Advisory Services (AS) portfolio. The AIMM framework for AS began pilot implementation in the first quarter of FY20, with an incremental rollout based on project size and complexity. IFC will review the AIMM4AS pilot, solicit feedback and decide on the way forward in FY21.
- Toward the end of the third quarter of FY20, IFC introduced an adaptation of the AIMM framework to accommodate the deployment of new global facilities to help our clients respond to the effects from the COVID-19 pandemic.
- Finally, over the past fiscal year, we aligned our portfolio monitoring methodology with the AIMM system. IFC now uses portfolio AIMM scores to complement ex-ante AIMM scores in assessing how well its projects are living up to their original impact ambitions.

#### **Job Creation**

Based on a conservative estimate, IFC will contribute to the creation of 1.9 to 2.2 million jobs over the lifetime of the projects it financed in FY20. These estimates include direct and indirect jobs generated and are derived from projects accounting for about 80 percent of IFC's FY20 investment commitments.

## Climate Change

IFC and the World Bank Group recognize climate change as an acute threat to global development that increases instability and contributes to poverty, fragility, and migration. Climate action is also an investment opportunity for the private sector. IFC has been in the climate business space since the 1980s, when it began supporting simple project finance of renewables, and has since diversified into green buildings, green finance, climate-smart agribusiness, and other sectors. In FY20, committed investment projects are expected to help our clients reduce annual greenhouse gas emissions by 8.1 million tons of carbon dioxide equivalent.

 $<sup>4. \</sup> Employment \ estimates \ are \ computed \ for \ individual \ projects \ using \ IFC's \ economic \ impact \ assessment \ framework. \ The \ framework$ comprises sector-specific models and a variety of assumptions across countries and sectors. For financial intermediaries, the estimate includes on-lending of IFC funds only. Client banks' portfolios grow more than the IFC funding alone, partly because IFC's contribution catalyzes additional funding and partly because the growth is contractually agreed with IFC. This additional expansion, which is hard to attribute precisely, could represent the creation of several million jobs.

#### WHAT PORTFOLIO RESULTS SAY ABOUT HOW IFC IS MANAGING ITS PORTFOLIO

At the end of FY20, IFC had 2,969 active investment projects in its portfolio. Because most of these projects pre-dated AIMM scoring, IFC backfilled AIMM scores on a representative sample of IFC's investment portfolio. The portfolio AIMM score for FY20 provides several broad insights into the trajectory of IFC's impact delivery:

- The average portfolio AIMM score for FY20 was 44. In comparison, the ex-ante AIMM score assigned to these same projects was also 44, suggesting that at the portfolio level, what IFC expected to deliver with respect to development outcomes appears to have been delivered during project implementation.
- When compared to the ex-ante average of 51 for AIMM-scored projects committed in FY20, the FY20 portfolio AIMM score average of 44 as well as the ex-ante AIMM score average for projects approved prior to the introduction of the AIMM framework (40) suggest that IFC's impact ambitions have increased. This is consistent with IFC's current objective of "creating markets" where the premium is on accelerating the conditions for private sector-led development.
- Between FY19 and FY20, the portfolio AIMM score average increased from 42 to 44. This increase was due entirely to FY19 projects (and their higher scores as described above) entering the portfolio in FY20.

### **Investment Services AIMM Score by Industry**

	FY	′20	FY19		
BY INDUSTRY	AIMM SCORE AVERAGE	RATED VERY STRONG MARKET	AIMM SCORE AVERAGE	RATED VERY STRONG MARKET	
Manufacturing, Agribusiness, and Services	41	3%	38	3%	
Financial Institution Group	44	9%	42	10%	
Infrastructure and Natural Resources	49	23%	48	23%	
Disruptive Technologies and Funds <sup>5</sup>	45	18%	41	14%	
IFC	44	11%	42	11%	

## **Investment Services AIMM Score by Region**

	FY	′20	FY19		
BY REGION	AIMM SCORE AVERAGE	RATED VERY STRONG MARKET	AIMM SCORE AVERAGE	RATED VERY STRONG MARKET	
Sub-Saharan Africa	47	16%	46	16%	
Latin America and the Caribbean	37	8%	35	7%	
East Asia and the Pacific	47	11%	45	10%	
Middle East and North Africa	44	21%	45	25%	
Europe and Central Asia	39	7%	37	6%	
South Asia	47	7%	46	9%	
Global	43	10%	35	0%	
IFC	44	11%	42	11%	

<sup>5.</sup> This is a new department in FY20 that includes all sub-sectors from the predecessor, FY19 department (Telecom, Media, Technology, and Venture Investing) except telecommunications infrastructure.

Development effectiveness of Advisory projects is assessed at project completion. In FY20, 134 Advisory projects qualified for ex-post evaluation were completed during the period and were self-assessed

for development-effectiveness ratings. Similar to the performance of FY19, 73 percent of the projects were rated mostly successful or better, above the IFC target of 65 percent.

### Advisory Services Development Effectiveness Score by Region

	FY20	FY19
Global <sup>7</sup>	67%	100%
Sub-Saharan Africa	66%	68%
South Asia	86%	70%
Middle East and North Africa	88%	67%
Latin America and the Caribbean	75%	64%
Europe and Central Asia	75%	94%
East Asia and the Pacific	70%	74%
IFC	73%	73%

## Advisory Services Development Effectiveness Score by **Business Area**<sup>°</sup>

	FY20	FY19
Financial Institutions Group	79%	79%
Manufacturing, Agribusiness, and Services	67%	70%
Infrastructure and Natural Resources	57%	100%
Disruptive Technologies and Funds	100%	0%
Transaction Advisory	69%	59%
Other Advisory, including Environment, Social and Governance	63%	100%
Advisory via Equitable Growth, Finance and Institutions (GPs)	77%	74%
IFC	73%	73%

IFC's investment and advisory services clients struggled to report data due to COVID-19. In light of the situation, IFC management decided to extend reach data collection to ensure proper quality control and external assurance. Completed data will be posted on the electronic version of the IFC annual report once finalized, available at: www.ifc.org/annualreport.

IFC operations contribute to several Sustainable Development Goals (SDGs) through its direct investments and advisory services. Integral to IFC's mandate and aligned with the WBG's twin goals are SDGs 1 and 10: "No Poverty" and "Reduced Inequality." At the strategic sector level, IFC promotes investment and advisory projects in infrastructure, agriculture, financial inclusion, health and education — aligned with SDGs 2, 3, 4, 6, 7, and 9.

<sup>6.</sup> Development Effectiveness Score is calculated as the percentage of projects rated mostly successful or better in total number of advisory projects rated in ex-post evaluation for a fiscal year.

<sup>7.</sup> The FY19 and FY20 DE for Global are based on less than 5 rated projects.

<sup>8.</sup> The FY19 and FY20 DE for Disruptive Technologies and Funds, and FY20 DE for Infrastructure & Natural Resources and Other Advisory, including Environment, Social & Governance are based on less than 5 rated projects.

<sup>9.</sup> The business grouping is different from last year to reflect the re-alignment of Advisory Services. The FY19 data is also recalculated as

Across sectors and regions, IFC seeks to promote employment creation and economic growth, gender equality, environmental and social sustainability, and climate-change adaptation and mitigation — aligned with SDGs 8, 5, 12, and 13, respectively. Furthermore, IFC has prioritized partnership with private investors to mobilize new sources of finance — aligned with SDG 17.

IFC's results-measurement framework that comprises mostly sector-level outcome indicators, including Harmonized Indicators for Private Sector Operations (HIPSO) enables it to maintain a line of sight between IFC's objectives and the SDGs.

#### WHAT IFC LEARNED FROM SELF-EVALUATION **RESULTS**

IFC undertakes specific sectoral and country-level assessments of its programs to fill knowledge gaps and provide real-time solutions with a strong feedback loop into operations. To strengthen and enhance this initiative, IFC will launch a revamped approach to evaluation enabling us to implement the World Bank Group Evaluation Principles. This is expected to increase the use of selfevaluation findings to influence IFC's efficiency and effectiveness, inform key priorities, and improve the articulation and delivery of IFC 3.0. It includes a three-year work program, a structured process to enhance selectivity and visibility, and an increased focus on technical rigor and consistency.

In FY20, IFC completed 10 evaluations. Eleven (11) active evaluations had extended completion dates due to COVID-19. There are 39 active evaluations in the portfolio. Key findings of selected evaluations completed in FY20 include:

#### The Women Entrepreneurs Opportunity Facility (WEOF) Assessment

An assessment of the Women Entrepreneurs Opportunity Facility (WEOF), a partnership between Goldman Sachs 10,000 Women and IFC Banking on Women showed that the facility has delivered \$1.45 billion in investments over the past five years for local financial institutions to lend to womenowned businesses. This first-of-its-kind finance facility has supported nearly 53,000 entrepreneurs in developing countries through 53 financial institutions across 33 countries as of October 2019. WEOF has surpassed its original goals set at its launch in 2014 — having already delivered more than double its

initial goal of mobilizing \$600 million for emergingmarket financial institutions to lend to women-owned small and medium enterprises (SMEs).

WEOF-participating financial institutions are reporting healthy growth and strong asset quality in their women-owned SME portfolios, results that will help develop a more inclusive financial market and narrow the \$1.5 trillion finance gap faced by womenowned businesses. Five years in, WEOF is reinforcing the impact of focusing on women, including better gender disaggregated data and initial results pointing to women as a stronger borrower base.

#### Investment Climate Reform Program, Ethiopia

The program implemented reforms in investment policy, business entry and operations, and trade logistics areas. The key findings of the evaluation are:

- Investment policy reforms contributed to Ethiopia's substantial increase in FDI over the past few years (net FDI inflows grew from \$1.8 billion in 2014 to \$3.6 billion in 2017). IFC support was attributed with between \$228 million and \$281 million of additional investment. This includes a share of investment triggered by sector-specific interventions, through which 32 foreign investors were attracted to Ethiopia, generating between \$43 million and \$96 million of investment while creating 5,600 to 11,400 new jobs.
- Business entry and operation reforms generated business cost savings estimated at \$34 million.
- Trade logistics reforms and subsequent reduced time to trade were estimated at \$61 million cost savings.