



# Measuring development results in IFC

Results Measurement Conference  
Washington, DC – May 2, 2007

Roland Michelitsch, Manager  
Development Effectiveness Unit, IFC



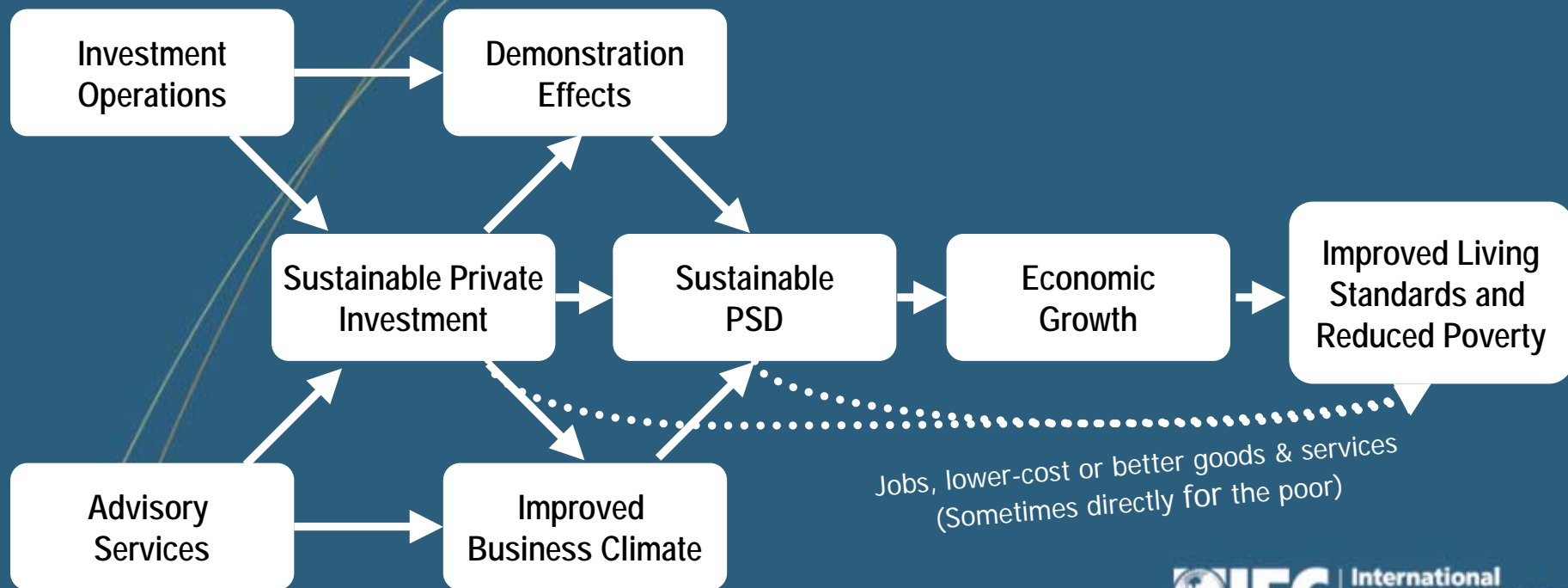
# Why development results matter

- IFC's mission, purpose, articles
- Commitment by IFC management
- Increasing demand from the Board and other stakeholders
- Commitment to report publicly
- **Continuously improve results:**  
**“What gets measured – gets done”**

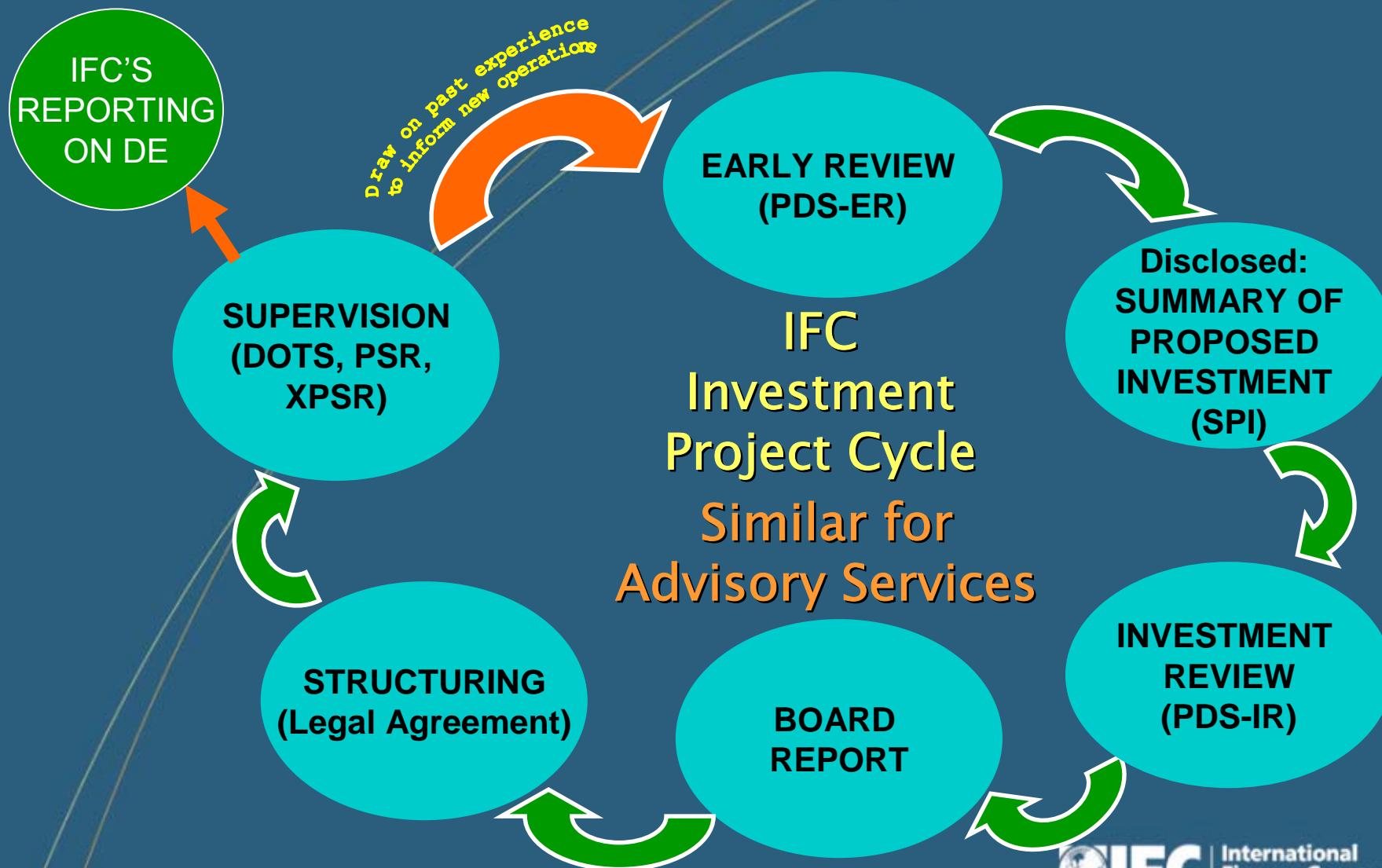
# Assessing the impact of IFC activities



## How IFC/WBG helps to improve the investment climate and to reduce poverty & improve lives



# Development effectiveness: Feedback-loop



# Tracking results

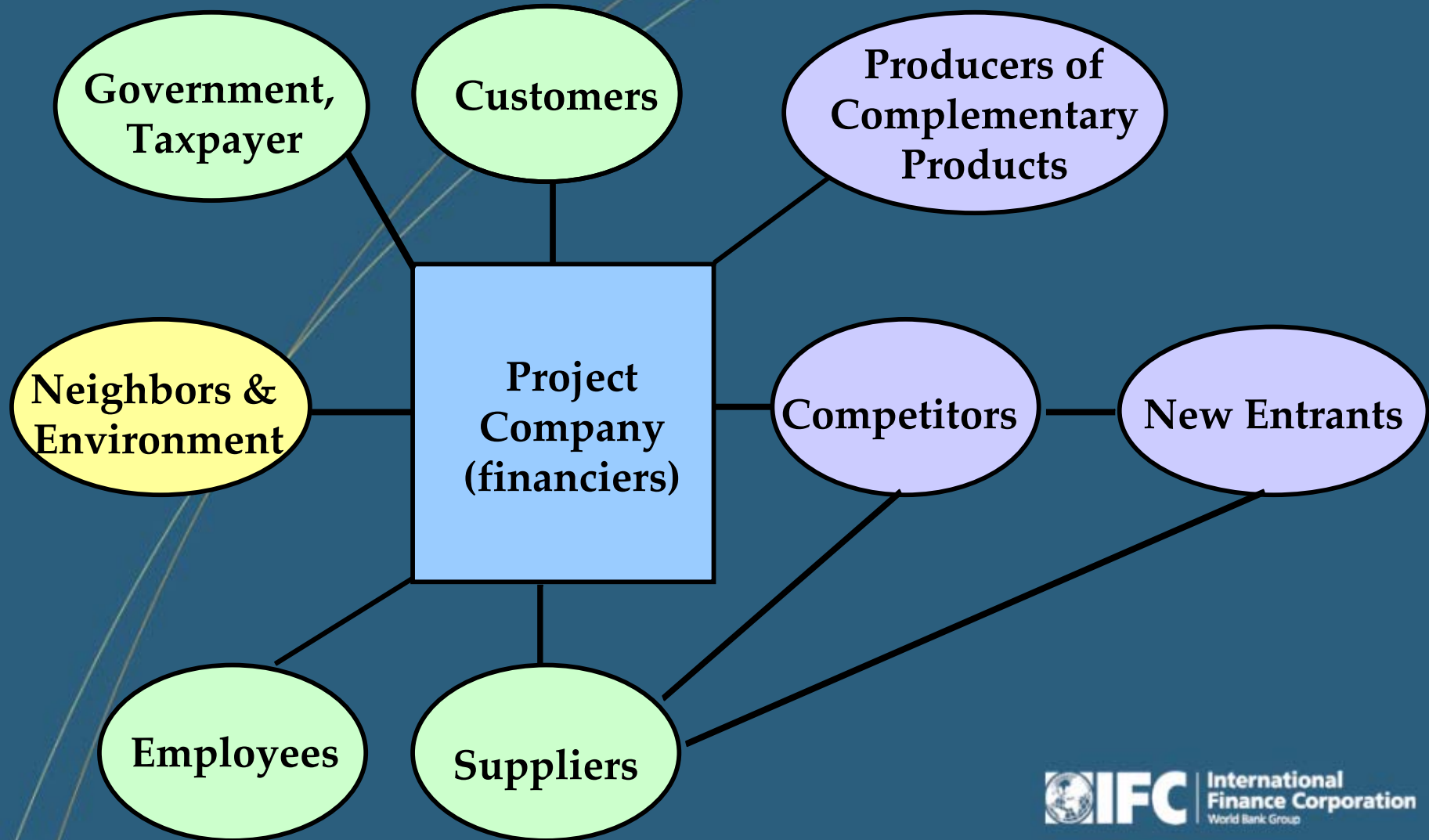
- Investments and Advisory Services:  
Systematic, throughout the project cycle
  - ◆ Specify clear objectives up-front
  - ◆ Standardizing indicators, improving methods
  - ◆ Continuous tracking
  - ◆ Results feed into performance evaluations:  
Corporate → departmental → individual

Ultimately → Better results

# Hierarchy of measures



# Assessing investment project's development impact: by stakeholders



# Development outcome framework: Investments

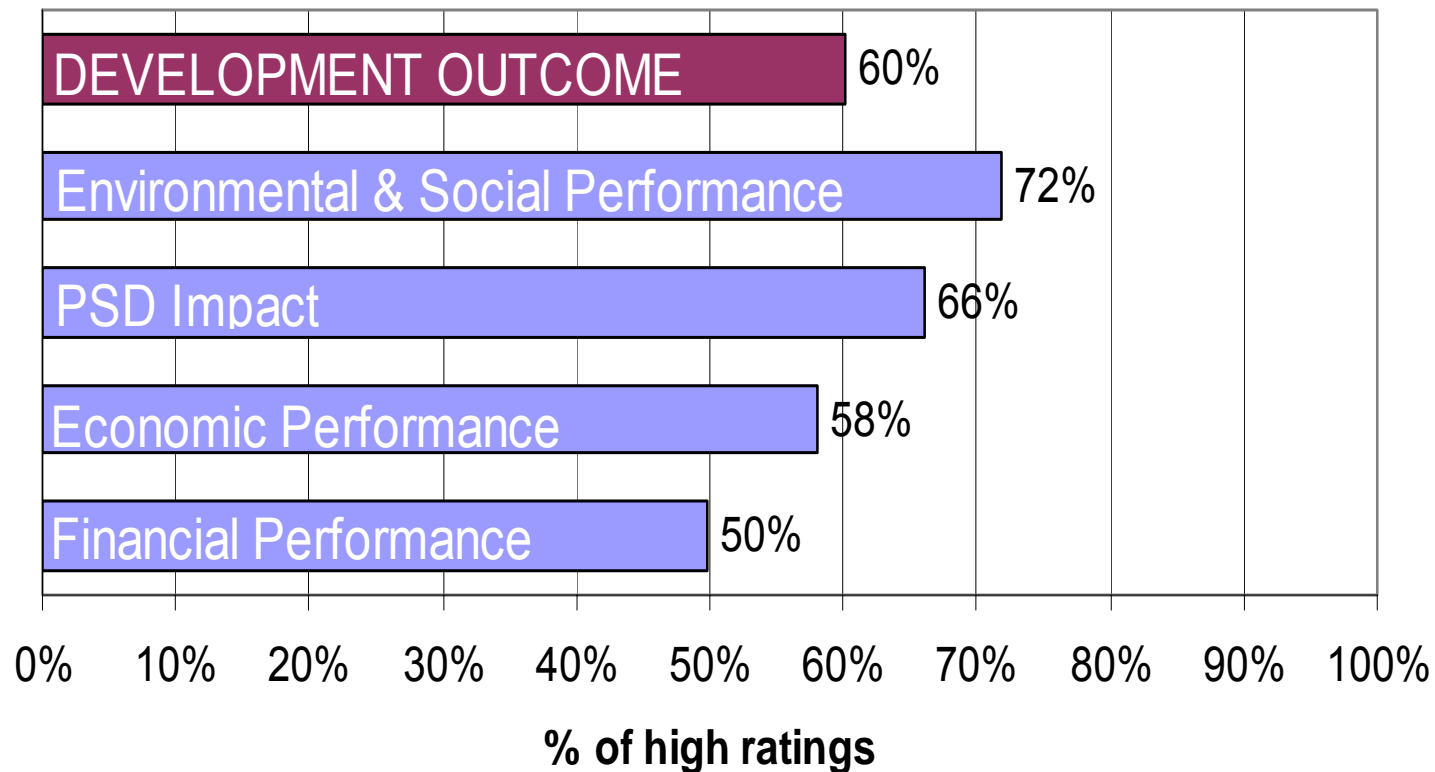
Project  
level

## 4 indicators & satisfactory success standards (project finance example)

- Financial performance ➤  $FRR > WACC$
- Economic performance ➤  $ERR > 10\%$ ,  
+ qualitative aspects
- Social & Environmental performance ➤ Compliance with IFC's safeguards
- Private sector development ➤ Positive impact on investment climate

# Measures for investments: Standard framework

## DOTS: Development outcome and indicators



# Measuring: Reach

## Investments - last year's reach:

- 7.7M sub-loans to MSMEs for \$52B
- 2.4M patients, 320,000 students
- Power: 12M, water: 9M customers
- Last 10 years: 80M phone connections
- Oil, Gas, Mining, Chemicals:  
\$4.5B gov't revenues, \$1.8B local suppliers,  
50,000 jobs, 85% with community  
development programs spent \$218M

# Measuring: Before-After

Investments: MSME sub-loans from 68 FIs  
with consecutive data (27 micro, 41 SME):

	2004	2005	Growth
Number	1.1M	1.6M	40%
Volume	\$13.0B	\$17.2B	32%

[Forthcoming] IEG finding: Better results when  
investments combined with advisory services

# Challenges

- Comparisons
- Success rates
- Benchmarking institutions
- Contemporaneous assessment
- Aggregation

# Challenge: Comparison

Which institution performs best?  
Success rates

- ◆ **World Bank:**

- ◆ 75% for “outcome” (now > 80%)

- ◆ **EBRD:**

- ◆ 75% for “transition impact” (now > 80%)

- ◆ 57% for “overall performance”  
(lower mainly due to financial performance)

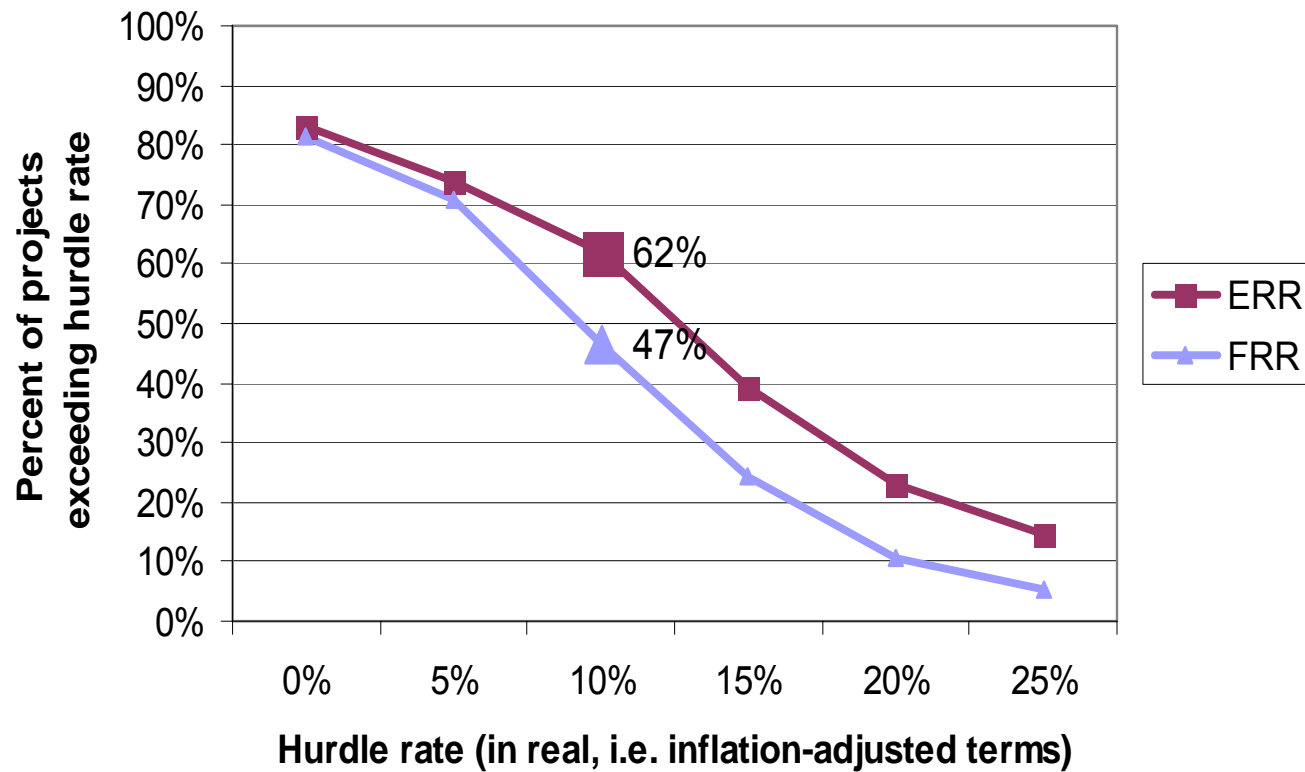
- ◆ **IFC:**

- ◆ Investments: 60% for “development outcome”

# Success? What's the benchmark?

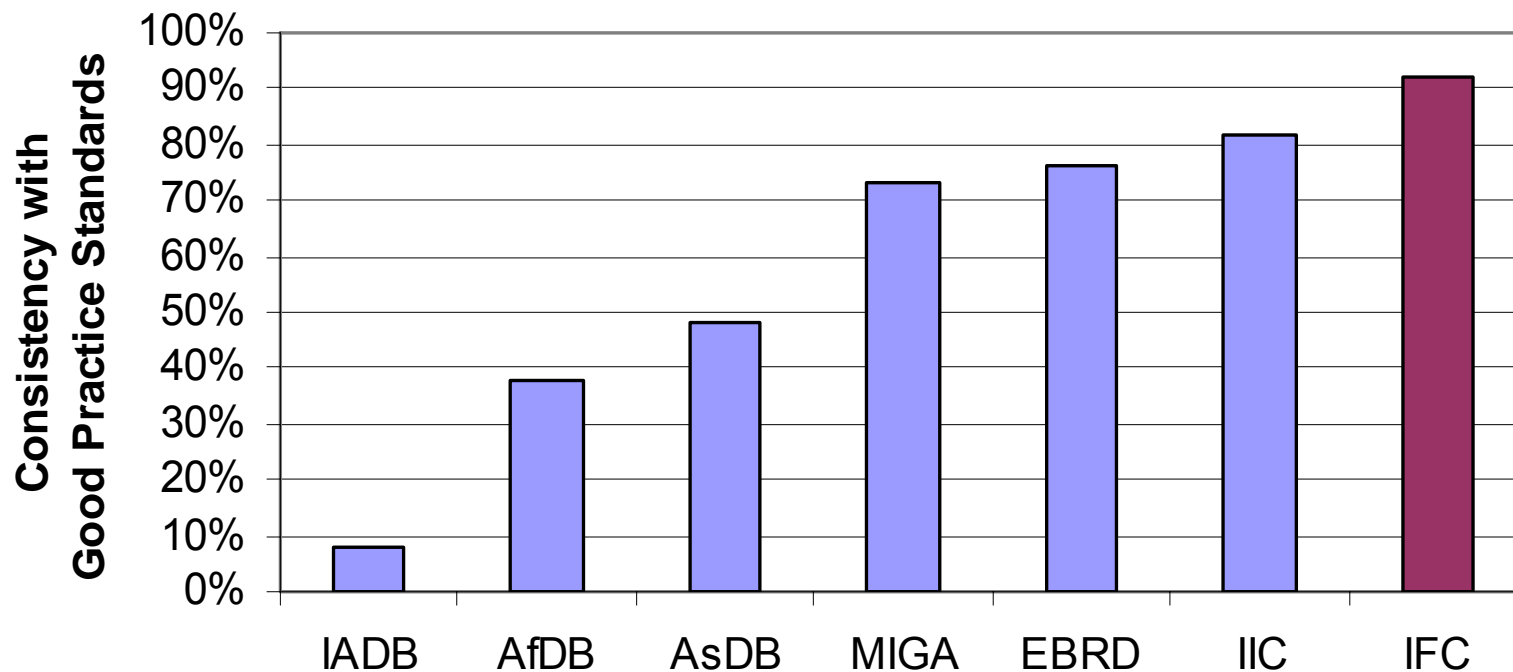
## Success rate? Depends on the hurdle

326 projects independently validated by IEG 1996-2006



# Challenge: Benchmarking organizations

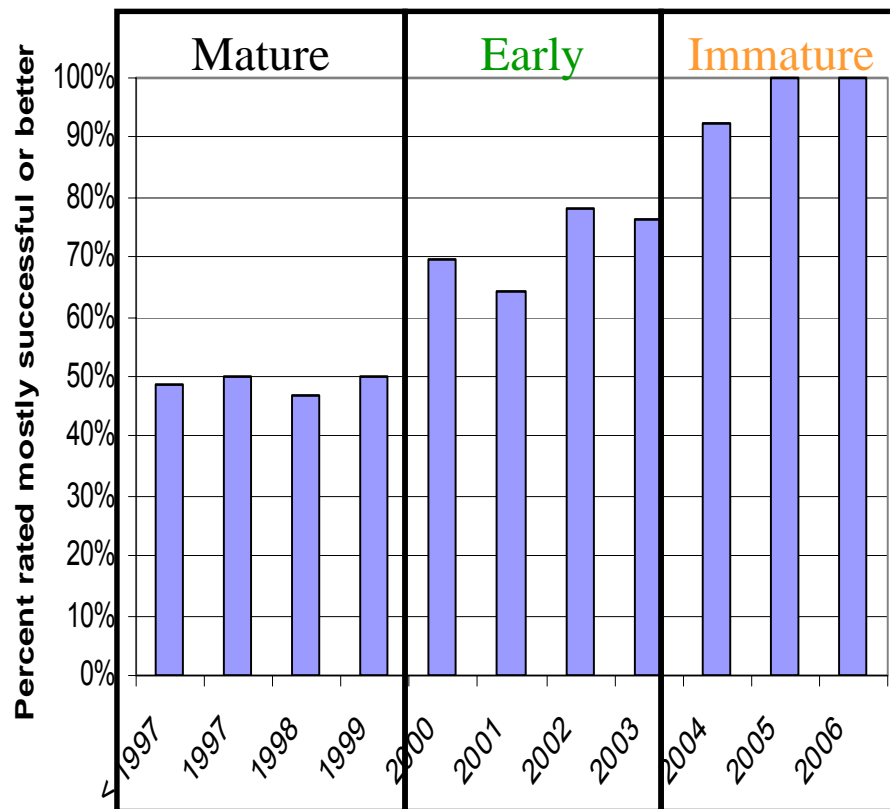
## Meeting Good Practice Standards for Private Sector Evaluation



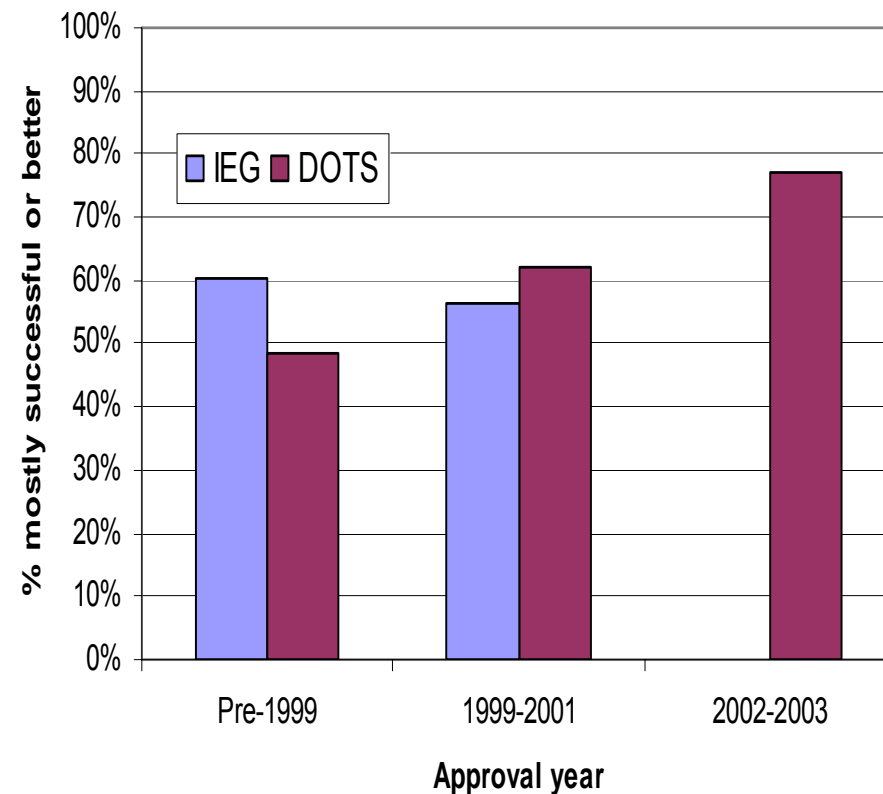
Second benchmarking review (2005) against GPS for private sector investment operations.

# Challenge: Contemporaneous assessment

DOTS Development Outcome  
By calendar year of approval



Development outcome: IEG vs. DOTS



# Challenge: Aggregation

## ■ IFC's development results:

### ◆ Development outcome?

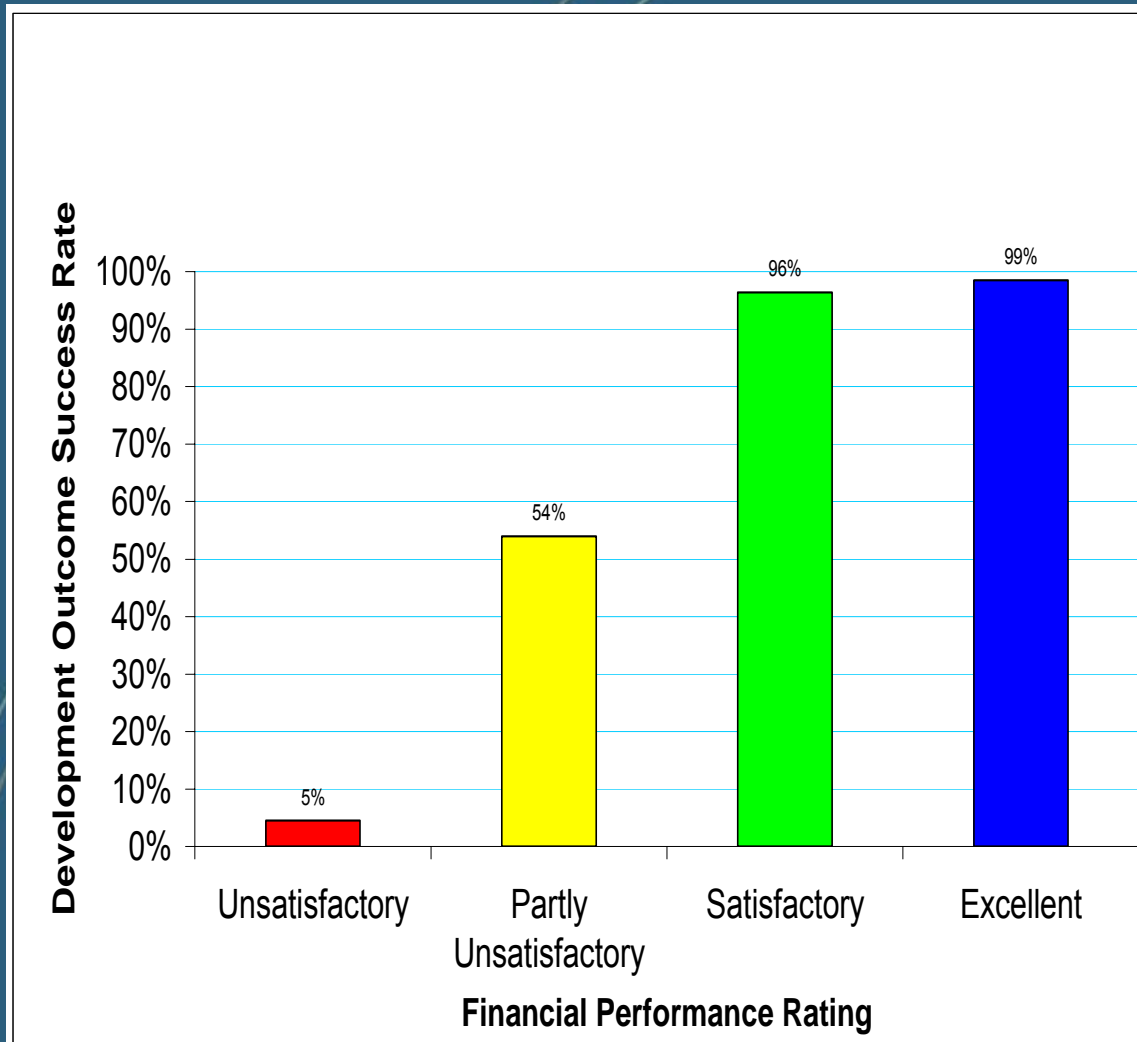
- ◆ 59% success rate (unweighted average)
- ◆ 67% success rate (volume-weighted)
- ◆ Median: FRR 9.2% ERR 12.2%
- ◆ Aggregate: FRR 7.9% ERR 12.9%

- ◆ On \$17.3B investment (15% IFC, 16% cofinanciers)

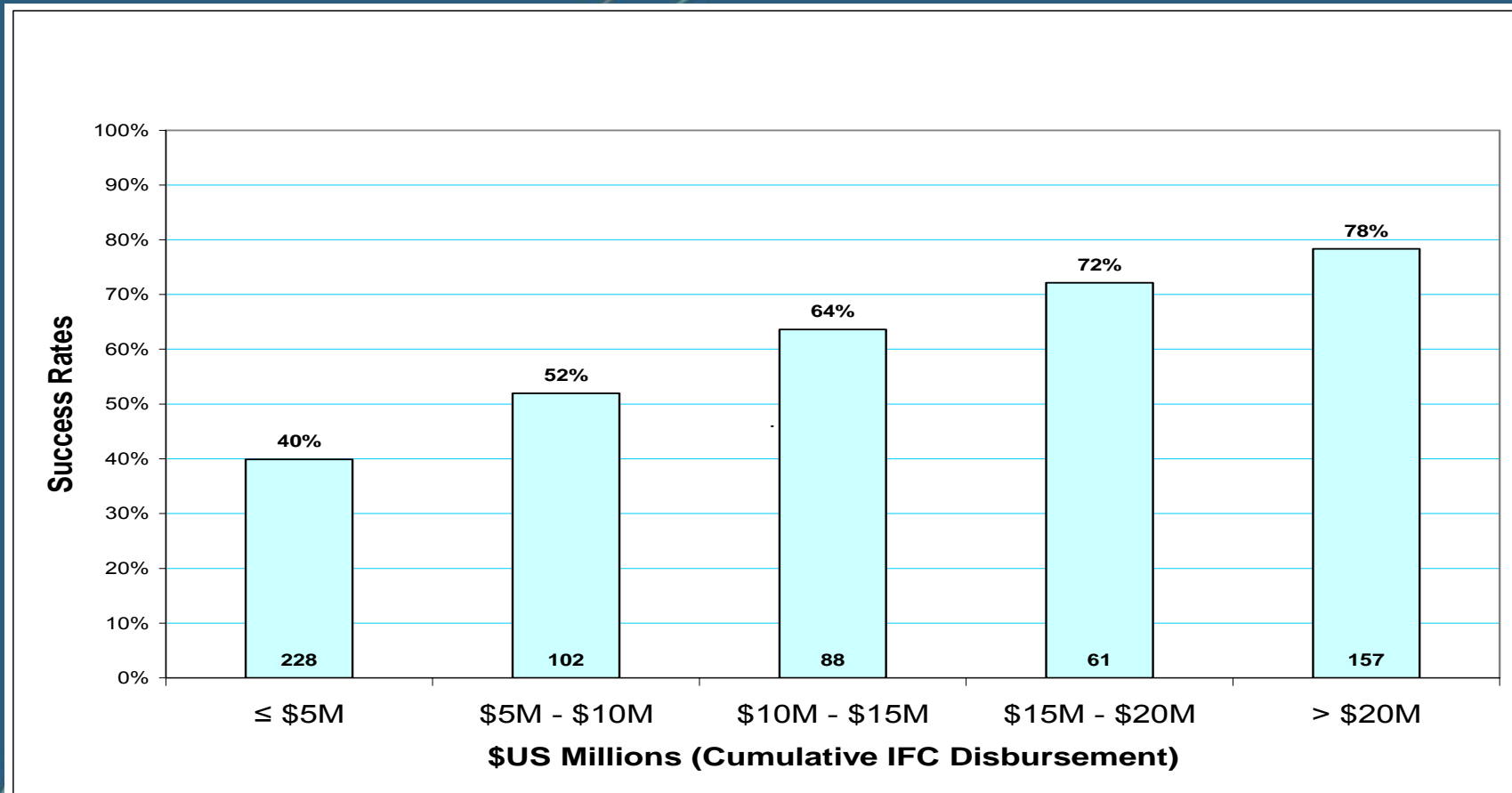
Net benefits (real):	Financiers	Others	Total
Undiscounted	\$9.6B	\$6.6B	\$ 16B
<b>Discounted at 5%</b>	<b>\$2.8B</b>	<b>\$5.1B</b>	<b>\$ 8B</b>
Discounted at 10%	-\$1.6B	\$4.1B	\$2.5B

# Some emerging patterns

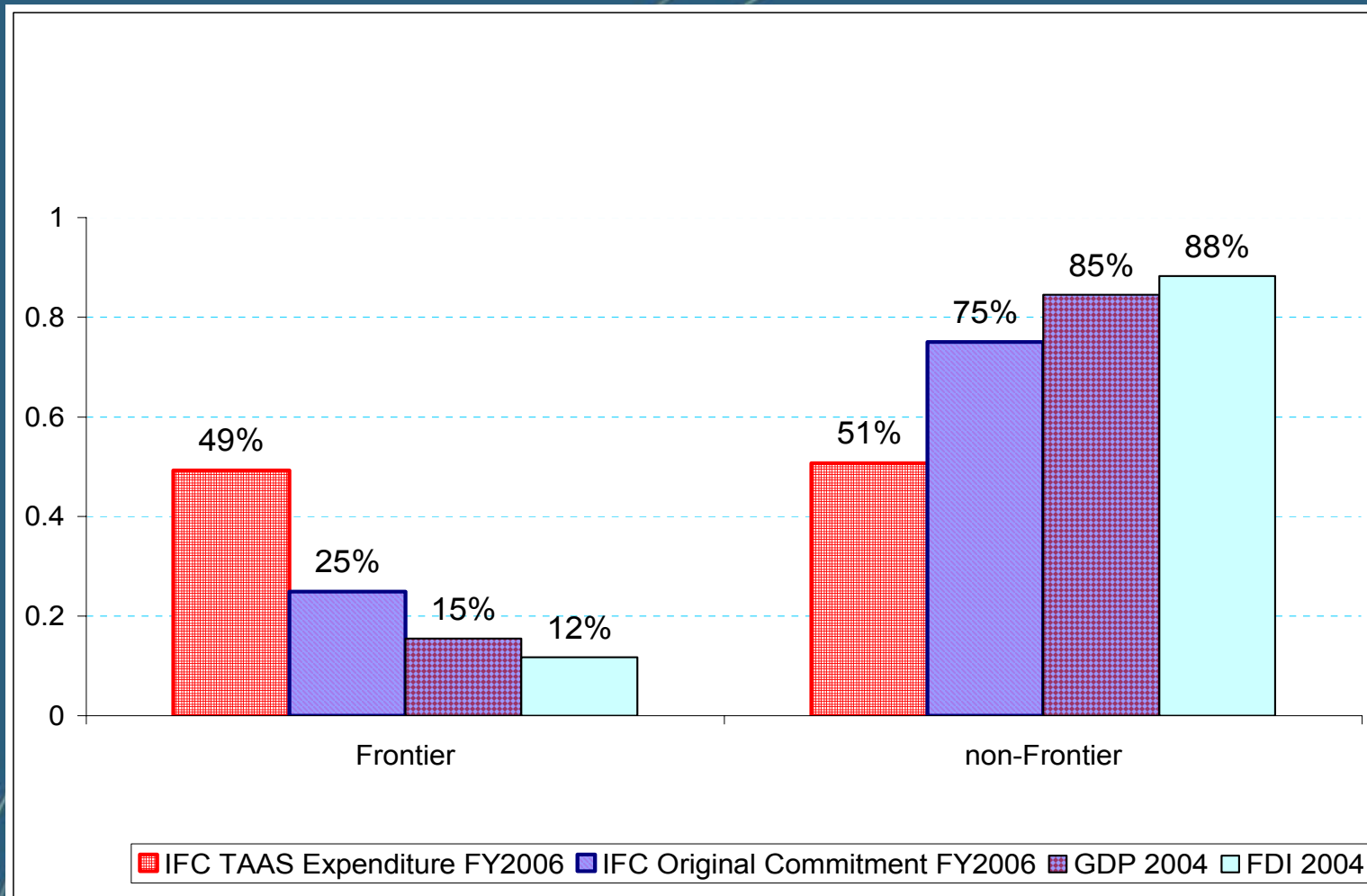
# For IFC projects: Close correlation between financial and development results



# Better development results with larger investments

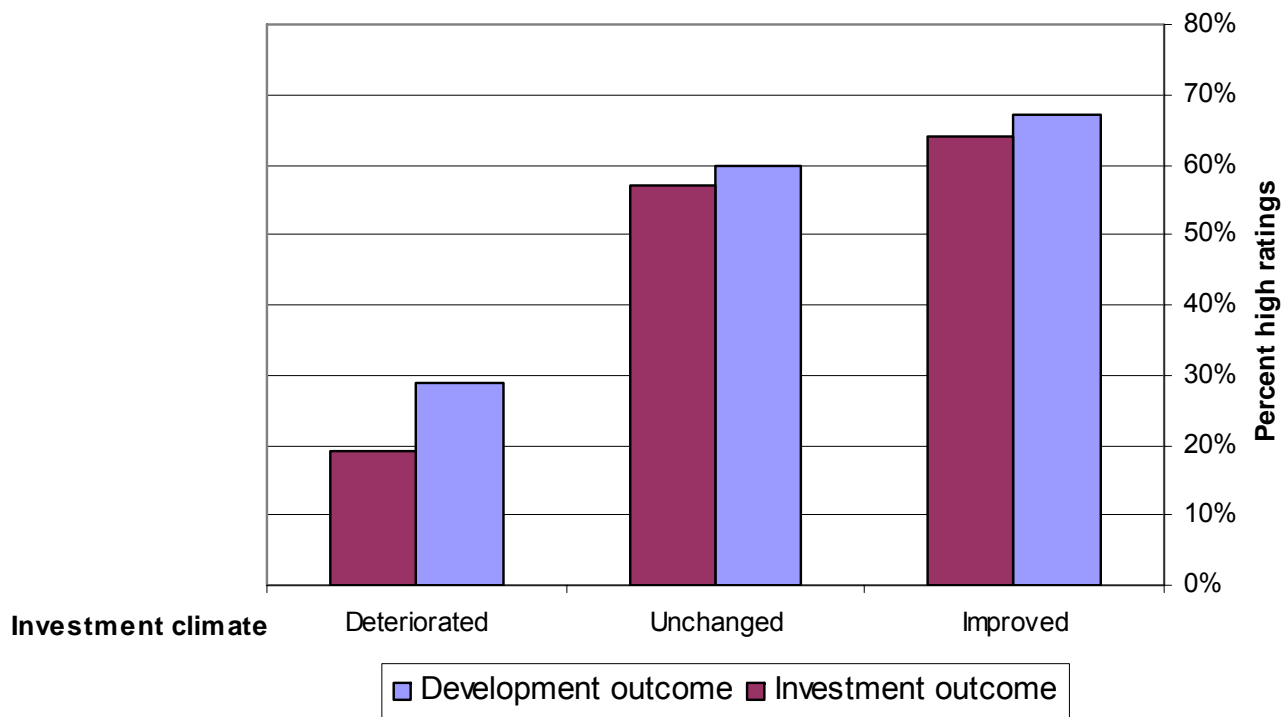


# Ex-ante measures: “Frontier” activities



# Better development results where investment climates improve

Better development and investment results with improving investment climate



# Development results measurement

## Summary:

- Standard framework to assess project-level results
- Consistent tracking throughout the project cycle
- Supplemented by in-depth evaluations
- Development results considered in corporate, departmental and individual performance evaluations