Development and financial results for both IFC and other stakeholders are better where IFC’s additionality is stronger.

IFC’s investments aim to have a strong development impact, creating opportunities for people to escape poverty and improve their lives. IFC’s role as a financier in a project falls into the following four categories: providing risk mitigation; offering global expertise and industry knowledge; setting standards; and improving investment climate through policy work.

IFC’s additionality is best described as the unique benefit or value addition that IFC brings to a project, and that a client would not otherwise have. For more information, please see IFC’s Role and Additionality Primer. The following analysis looks into the relationship between IFC’s additionality and development and investment outcomes.

For this exercise, the role and contribution ratings of Expanded Project Supervision Reports (XPSRs)\(^1\) evaluated between 1996 and 2008, are used as a proxy for IFC’s additionality. The main finding is that IFC has better financial returns and development results with projects to which it made stronger contributions. The relation is even stronger for development results.

\[\begin{array}{ccc}
\text{Development and Investment Outcome} & \% \text{ of DO rated high} & \% \text{ of IO rated high} \\
\text{Less than Satisfactory} & 13\% & 37\% \\
\text{Satisfactory} & 65\% & 62\% \\
\text{Excellent} & 93\% & 77\% \\
\end{array}\]

\(\text{\textsuperscript{1}}\) XPSRs are IFC’s main evaluation instrument for investments, are carried out once in a lifetime typically 5 years after approval – and are validated by IFC’s Independent Evaluation Group.
When IFC’s role and contribution were rated excellent, 93% of projects obtained high development outcome and 77% high investment outcomes for IFC. On the other hand, when IFC had less than satisfactory role and contribution, only 13% of projects obtained high development outcome and 37% high investment outcomes for IFC. For financial and economic performance ratings, the results also show that projects have higher returns to financiers and to all stakeholders in the economy when IFC has stronger additionality in the project.

These results indicate strong correlation between IFC’s additionality and development and investment results for both IFC and other stakeholders, emphasizing that IFC should be selective in choosing projects where it can play an important role and provide significant additional value in order to achieve high level of development impact.