

Indicator description	<b>Development impact portfolio score for CDC</b>
Indicator Type	Output
Rationale	Development Impact Grid incentivises CDC to make investments in harder geographies and in sectors which have the highest propensity to create jobs. It has been a useful tool to shift CDC's investment portfolio to more impactful investments.
Technical definition	<p>Individual investments have a Development Impact score ranging from 1 to 4 depending on where they fall on the Development Impact grid. The DI portfolio score is the weighted average (by investment £) of the Development Impact Grid score (between 1 and 4) across CDC's investments that have reached financial close since the start of the new CDC strategy (2012 onwards on a calendar year basis).</p> <p>The DI Grid is a pre-investment screening tool that CDC has developed to assess the predicted development impact potential of CDC investments. It scores an investment based on two factors: the difficulty of the geography where the investment is made (x-axis) and the propensity of the business sector in which it is made to generate employment (y-axis).</p> <ul style="list-style-type: none"> <li>• Geographies (x axis) is divided into four categories (A to D): Investment Difficulty of Country- assessed (except India) with regard to: (i) market size; (ii) income level; (iii) ability to access finance; and (iv) the ease of doing business (using WB Doing Business rankings). For investments in India, each state is assessed with regard to GDP per capita. For a list of countries within the four categories please see the <a href="#">CDC methodology list</a>.</li> <li>• Sectors (y-axis) is divided into three categories (low, medium and high). Propensity for Investment to Generate Employment- the propensity of each business sector to generate employment was assessed with regard to: (i) the potential to create employment directly, measured by the employment (both skilled and unskilled) to capital ratio; (ii) the potential to create employment through backward linkages in the supply chain, measured by the local procurement to capital ratio, and; (iii) the potential for investment into essential infrastructure to remove business constraints and build an environment for jobs. For a list of sectors by categories please see the <a href="#">CDC methodology list</a>.</li> </ul>

	<p>Figure A: The Development Impact Grid</p> <div><div><div>Propensity of sector to generate employment</div><div><div>High</div><div>Medium</div><div>Low</div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div></div><div><div>4</div><div>3</div><div>2</div><div>1</div></div></div><div><div>D</div><div>C</div><div>B</div><div>A</div></div><p>Investment difficulty of country or state</p></div></div>						
Data calculations	<p>Scoring - once an investment is located in the appropriate space on the grid, by reference to geography and sector, it receives a particular score. The scores range from 1 to 4. In the DI Grid in figure A the areas scoring different values are shown in contrasting colours.</p> <p>In the case of investments that benefit multiple geographies and/or multiple sectors, a blended score is calculated using a weighted average based on the amount of the investment allocated to a certain geography and sector.</p>						
Data sources	CDC investment portfolio database						
Reporting roles	CDC reports on the average scores and any breakdowns by individual investments if needed.						
Worked example							
Baseline data	<p>Baseline year is calendar year 2014. The sectors and geographies categories are listed below.</p> <p><b>Table 1 - business sector categories</b></p> <table><tr><th>Low</th><th>Medium</th><th>High</th></tr><tr><td>Business Services Communication Financial Services* Mineral Extraction Trade*</td><td>Agricultural crops Forestry/Fisheries Meat/Livestock Trade* Transport Utilities &amp; Power*</td><td>Construction Food Processing Manufacturing (Light &amp; Heavy) Microfinance* Public Services (incl. Health &amp; Education) Renewables* Textiles Trade*</td></tr></table>	Low	Medium	High	Business Services Communication Financial Services* Mineral Extraction Trade*	Agricultural crops Forestry/Fisheries Meat/Livestock Trade* Transport Utilities & Power*	Construction Food Processing Manufacturing (Light & Heavy) Microfinance* Public Services (incl. Health & Education) Renewables* Textiles Trade*
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Business Services Communication Financial Services* Mineral Extraction Trade*	Agricultural crops Forestry/Fisheries Meat/Livestock Trade* Transport Utilities & Power*	Construction Food Processing Manufacturing (Light & Heavy) Microfinance* Public Services (incl. Health & Education) Renewables* Textiles Trade*					

\*see table 3 on adjustments

**Table 2: Geographies categories (including Indian states)**

D	C	B	A
Mauritius! Morocco South Africa Φ! Tunisia	Bangladesh* Botswana! Cape Verde Egypt † Ghana Maldives Namibia Nigeria* Sri Lanka †Φ!	Algeria† Angola* Bhutan Equatorial Guinea* Ethiopia* Gabon Kenya Nepal* Pakistan* Rwanda* Senegal Sudan* Swaziland Tanzania* Uganda* Zambia*	Afghanistan* Benin Burkina Faso* Burundi* Cameroon* CAR* Chad* Comoros* DRC* Congo, Rep of Cote d'Ivoire Djibouti* Eritrea* The Gambia Guinea* Guinea-Bissau* Lesotho* Liberia* Libya† Madagascar* Malawi* Mali* Mauritania Mozambique* Myanmar* Niger* Sierra Leone* Sao Tome & Principe Somalia* South Sudan* Togo* Zimbabwe
Andaman & Nicobar Islands Φ Chandigarh Φ Delhi Φ Goa Φ Gujarat Φ Haryana Φ Maharashtra Φ Pudicherry Φ Punjab Φ Tamil Nadu Φ Uttarakhand Φ	Andhra Pradesh Himachal Pradesh Karnataka Kerala	Arunachal Pradesh Meghalaya Mizoram Sikkim	Assam Bihar Chhattisgarh Jammu & Kashmir Jharkhand Madhya Pradesh Manipur Nagaland Odisha Rajasthan Tripura Uttar Pradesh West Bengal

!For further information regarding investments in Botswana, Mauritius, Sri Lanka and South Africa please refer to CDC's Investment Policy 2012-16, Appendix 2.

\* Φ and †, see table 3 on adjustments

**Table 3- Adjustments to classification.** Certain business sector categorizations are subject to adjustment depending on the business or geography.

Sector/sub-sector/ deal type	Adjusted Classification	Countries/States or circumstances
Financial Services (other than Microfinance)	High	All countries except South Africa & Sri Lanka All Indian states except those in Category D (exceptions marked Φ)
Microfinance	Low	South Africa
Power (other than Renewable Energy)	High	All Category A, B or C countries except Egypt, Sri Lanka, Algeria, Libya (exceptions marked † ) All Indian states in Category A, B or C
Renewable Energy	High	All countries All Indian states
Mobile telecommunications	High	All countries marked *

	Trade	High Medium Low	If >60% of procurement is local (from country or from other country of higher or equal ID score) If <60%, >20% of procurement is local If <20% of procurement is local
	Passive replacement capital	Low	Investments which result in no new capital to the company and where CDC has neither a board seat nor is party to a shareholders (or similar) agreement that permits CDC to better align the company with CDC's developmental mission.
Return Format	A numerical score from 1 to 4. Weighted (by investment £) average of the Development Impact Grid score (between 1 and 4) across CDC's investments that have reached financial close since the start of the new strategy (2012 onwards on a calendar year basis).		
Data dis-aggregation	Not applicable		
Data availability	Quarterly and Annually (by 30 April each year)		
Time period/ lag	3 months		
Quality assurance measures	DI Grid scores are externally verified.		
Interpretation of results	The DI Grid is an ex-ante screening tool that CDC has developed to assess the predicted development impact potential of CDC investments. The methodology of the DI grid will be reviewed as part of the ongoing CDC strategy review. This will ensure that the grid draws on up to date economic data and reflects DFID's strategic priorities. Any updates on the methodology will be clearly noted.		
Data quality	See Interpretation of results on possible revisions to the sectors and/or geographies lists periodically.		
Data issues	<p>The DI grid score predicts Development Impact potential at the time the investment decision is taken. No investment screening tool is perfect and CDC and DFID are also committed tracking actual results over time and using post- investment impact data to refine the DI grid.</p> <p>There is still emerging evidence on which sectors have the highest propensity to create jobs and are most transformative. In addition, improvements to measuring jobs are still developing, and hard geographies may shift over time. All this means that the methodology will need to be reviewed and updated to reflect the latest evidence and thinking.</p>		
Additional comments	n/a		

Variations from standard methodology	See Data issues on possible updates to the sectors and/or geographies list.