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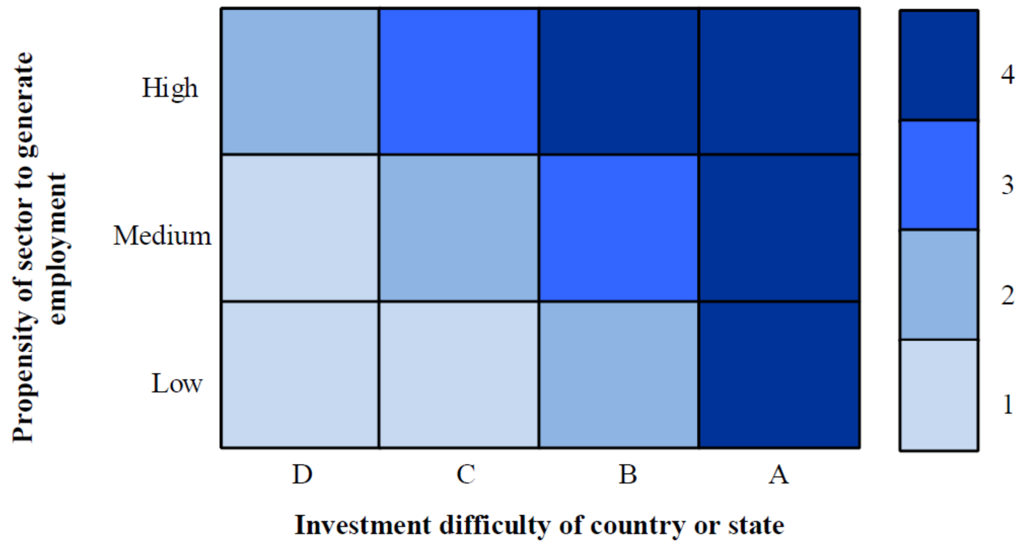
|---|---|
| Indicator description | **Development impact portfolio score for CDC** |
| Indicator Type | Output |
| Rationale | Development Impact Grid incentivises CDC to make investments in harder geographies and in sectors which have the highest propensity to create jobs. It has been a useful tool to shift CDC's investment portfolio to more impactful investments. |
| Technical definition | 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 during the preceding three years (on a calendar year basis).<br><br>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).<br><br>• 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 CDC methodology list.<br>• 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 CDC methodology list. |

<table>
<tr><td></td><td>Figure A: The Development Impact Grid<br>
</td></tr>
<tr><td>Data calculations</td><td>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.<br><br>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.</td></tr>
<tr><td>Data sources</td><td>CDC investment portfolio database</td></tr>
<tr><td>Reporting roles</td><td>CDC reports on the average scores on a 3-year rolling average and any breakdowns by individual investments if needed.</td></tr>
<tr><td>Worked example</td><td></td></tr>
<tr><td>Baseline data</td><td>Baseline is the 3-year rolling average for calendar years 2014-2016. . The sectors and geographical categories are listed below.<br><br>Table 1 - business sector categories
<table>
<tr><th>Low</th><th>Medium</th><th>High</th></tr>
<tr><td>Business Services<br>Communication<br>Financial Services*<br>Mineral Extraction<br>Trade*</td><td>Agricultural crops<br>Forestry/Fisheries<br>Meat/Livestock<br>Trade*<br>Transport<br>Utilities & Power*</td><td>Construction<br>Food Processing<br>Manufacturing (Light & Heavy)<br>Microfinance*<br>Public Services (incl. Health & Education)<br>Renewables*<br>Textiles<br>Trade*</td></tr>
</table></td></tr>
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*see table 3 on adjustments

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

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

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| 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 during the preceding three calendar years. . |
| Data dis-aggregation | Not applicable |
| Data availability | Annually (by 30 April each year) |
| Time period/ lag | Time period 36 months. Time lag 4 months (the data will be available within 4 months after the end of each calendar year, by 30 April each year). |
| 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. |
| Data quality | There may be possible revisions to the sectors and/or geographies lists in the future as a result of economic data and DFID's strategic priorities (see below data issues). . |
| Data issues | 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.<br>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. The methodology will be reviewed and updated if changes are made. |
| Additional comments | n/a |
| Variations from standard methodology | See Data issues on possible updates to the sectors and/or geographies list. |