



U.S. International Development Finance Corporation

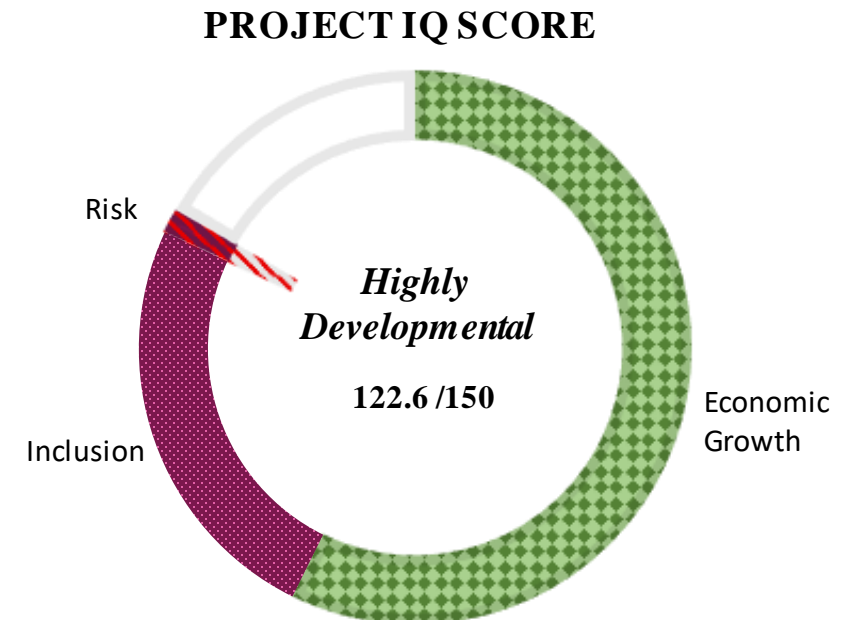
Impact Quotient Overview

Impact Quotient: DFC's Impact Management Framework

IQ: DFC's Development Impact Management System

The IQ is the DFC's development impact management system that calculates an IQ Score based on each project's projected and actual contribution to economic growth, inclusion, and innovation. The IQ Score:

- helps inform decision-making during the project approval process
- establishes key indicators and metrics for each project that will be tracked over time
- classifies projects into tiers
- reflects both the positive and negative impacts of the investment
- considers the relevance of the impacts within the country context
- creates mechanisms to maximize the development impact of every investment that the DFC supports
- enables the Corporation to assess development performance at both the project and portfolio level.



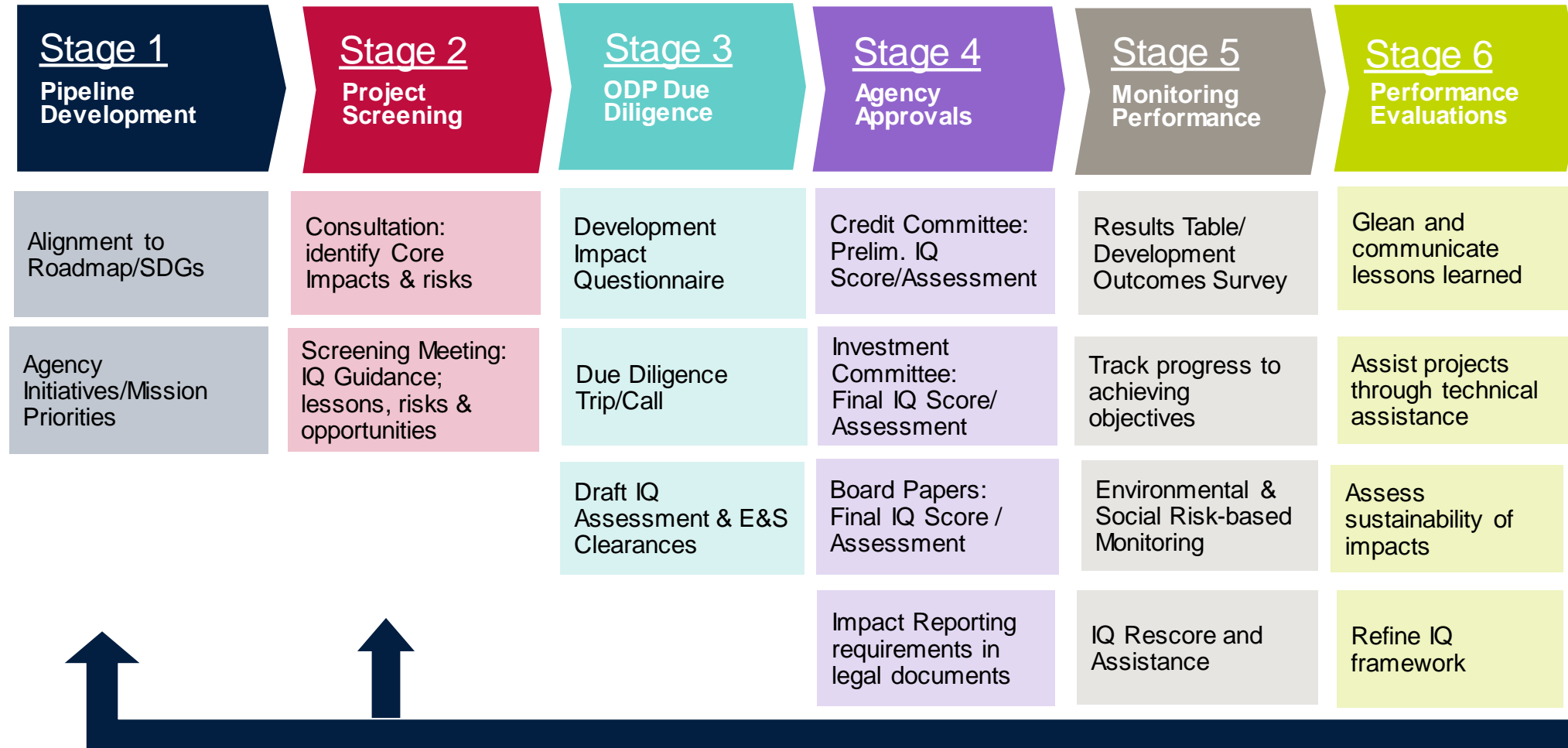
IQ in the Project Lifecycle

IQ in the Project Lifecycle

Sourcing

Origination

Monitoring/Management/Evaluation



Learning

Calculating IQ Scores

Components of the IQ Score



Economic Growth



Inclusion



Innovation

Development Impacts	<p>Measures the scale of impact. Includes infrastructure, job creation, financial intermediaries. The larger the scale of impacts, the higher the score.</p>	<p>Measures benefits to disadvantaged populations and geographies. The higher the percentage of beneficiaries that are from these populations, the higher the score.</p>	<p>Measures market diversification, benefits to the planet, and demonstration effects. Sector-wide innovations will have a higher score than firm-level innovations.</p>
Country Context	<p>Will the project’s impacts help address a critical development challenge in the host country? Is the project meaningful? If yes, the higher the score.</p>		
Risks	<p>Assessment of environmental, social and impact risks that have the potential for negative impacts or impedes ability to achieve positive impacts. This assessment is based on the sophistication of the investor and the country/sector context. The score is adjusted downward to reflect risks.</p>		
Opportunities	<p>Are there opportunities to increase positive impacts for employees, the environment, and/or local communities? If yes, bonus points may be awarded.</p>		

Identify and Score Project Impacts

Identify up to 3 Core Impacts

- Impacts that define the project's development objectives and performance over life of project
- Determined in collaboration with investor/deal team
- Each Core Impact is scored on a range of 0 to 37.5 points, based on breadth, depth, and country context
- HIPSO or IRIS+ aligned metrics to measure progress over time.

Identify up to 2 Ancillary Impacts

- Impacts that are noteworthy, but incidental to the Core Impacts or do not meet an identified development challenge
- Impacts that are aspirational in nature (e.g., increase diversity of workforce)
- Each Ancillary Impact is scored on a range of 0 to 15 points
- HIPSO or IRIS+ aligned metrics to measure progress over time.

Bonus Points

- Earned for voluntary initiatives that DFC wants to encourage of its investees. Up to 7.5 points can be earned for each of the below:
- Voluntary and exemplary employee benefits that support families and employee development
- Inclusive governance
- Voluntary initiatives to reduce environmental impact of operations

Potential Risk Deductions

- Up to 37.5 points could be deducted for the below:
- Risks related to the project's environmental and social profile; contextual country risk; Sponsor's experience and capacity.
- Impact risks, such as underdeveloped systems to collect and report on impact data, the lack of a customer feedback loop, potential job losses.

Impact Management and Learning

Objectives of Impact Management & Learning



- 1** Assess **compliance** with DFC’s environmental and social standards.
- 2** Monitor projects’ **progress to achieving developmental objectives** as established by the IQ scoring during project origination.
- 3** Take **corrective measures** where appropriate to improve compliance and impact performance.
- 4** **Evaluate and report** on DFC’s development performance at the portfolio level.
- 5** **Glean and communicate lessons to be learned** from monitoring to improve future projects, as well as the IQ framework itself.
- 6** Contribute to the Corporation’s **strategy development**.

Managing for Positive Impact Performance

