

## Rating methodology

The headline project rating is based on aggregation of rating of individual indicators and is obtained through three steps as described in section 4. These steps are described in more detail in the table below.

### Three-step rating approach

Rating step	Methodology and application
1: Indicator rating	<ul style="list-style-type: none"><li>• Each indicator is rated “Exceeds” / “Meets” / “Below” against expectations</li><li>• Expectations are defined as predetermined rating thresholds. Thresholds can either be norms for IFU projects, external benchmarks or logical principles</li><li>• The indicator rating is calculated automatically based on data entry and the rating threshold</li></ul>
2: Indicator group rating	<ul style="list-style-type: none"><li>• There are four groups of indicators: Outcomes (under one), Additionality, Catalytic Effect, and Project Sustainability</li><li>• Each indicator group is rated “Exceeds” / “Meets” / “Below”</li><li>• Indicator group ratings are calculated automatically based on an algorithm that maps the ratings of individual indicators within the group</li></ul>
3: Headline project rating	<ul style="list-style-type: none"><li>• The project is assigned a single headline project rating between 1 and 5</li><li>• The headline project rating is calculated automatically based on an algorithm that maps of the outcome indicator group rating and the lowest rating of the three sub-groups of IFU strategic indicators</li></ul>

The same three-step rating approach is applied to obtain the ex-ante and the ex-post headline project rating. These two headline project ratings are based on indicator values at different points in time but rated against the same thresholds. The ex-ante headline project rating is based on ex-ante indicator values obtained prior to IFU’s investment while the ex-post headline project rating is based on indicator values obtained by the time of IFU’s exit from the project.

The scales for rating of individual indicators, indicator groups and headline project rating are outlined in the table below. The specific ratings and the headline project rating are calculated based on algorithms.

### Rating scales

Rating step	Rating	Explanation	
1: Indicator rating	Exceeds	Indicator value for the project Exceeds expectations, as expressed by the rating thresholds	
	Meets	Indicator value for the project Meets expectations, as expressed by the rating thresholds	
	Below	Indicator value for the project is below expectations, as expressed by the rating thresholds	
2: Indicator group rating	Exceeds	At least one indicator in the group Exceeds expectations and none are rated Below	
	Below	The number of indicators in the group rated Below is greater than those rated Exceeds. NB. The Project Sustainability group will always be rated Below if more than one indicator in the group is rated Below. The Catalytic Effect group cannot be rated Below.	
	Meets	All combinations different from Exceeds and Below, as per above	
3: Headline project rating		Development outcomes	IFU strategic indicators (lowest rating of three sub-groups)
	5	Exceeds expectations +	Exceeds / Meets expectations
		Meets expectations +	Exceeds expectations
	4	Meets expectations +	Meets expectations
	3	Exceeds expectations +	Below expectations
	2	Meets expectations +	Below expectations
	Below expectations +	Exceeds / Meets expectations	
1	Below expectations +	Below expectations	