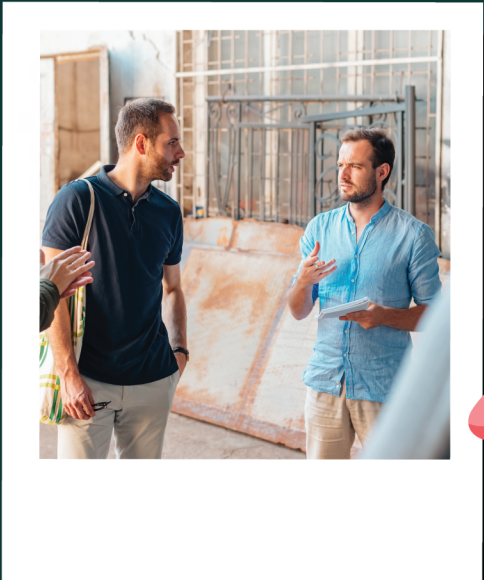


Lendahand Impact Framework



Milaap - India
SolarWorks - Mozambique
Sollatek - Kenya
Milaap - India



Table of contents

01

Introduction

p.02

02

Theory of Change

p.04

03

Impact measurement framework

p.08

04

Impact ambition and roadmap

p.14



Maxima - Cambodia

01

Introduction

Making an impact is in our DNA as a crowdfunding platform for impact investing. We are on a mission to fight poverty in emerging markets by investing in people and businesses.

Since 2013, Lendahand has moved from being a pioneering start-up to a renowned impact investor with over 100 million euro of crowdfunded loans provided to SMEs in over 25 emerging markets. As Lendahand grows, so does our impact ambition. One of our shortcomings is that we have an understanding of the impact created but we don't know the net impact of our efforts. We want to make this more measurable to be able to tell a more comprehensive story behind our impact figures. So our aim is to be more transparent to investors and other stakeholders about the impact investments have created. Also, we want to understand better how our mission and created impact contribute to the United Nation's Sustainable Development Goals (SDGs)¹. All the reason for us to reassess our impact strategy and framework to achieve our impact ambitions.

¹<https://sdgs.un.org/goals>

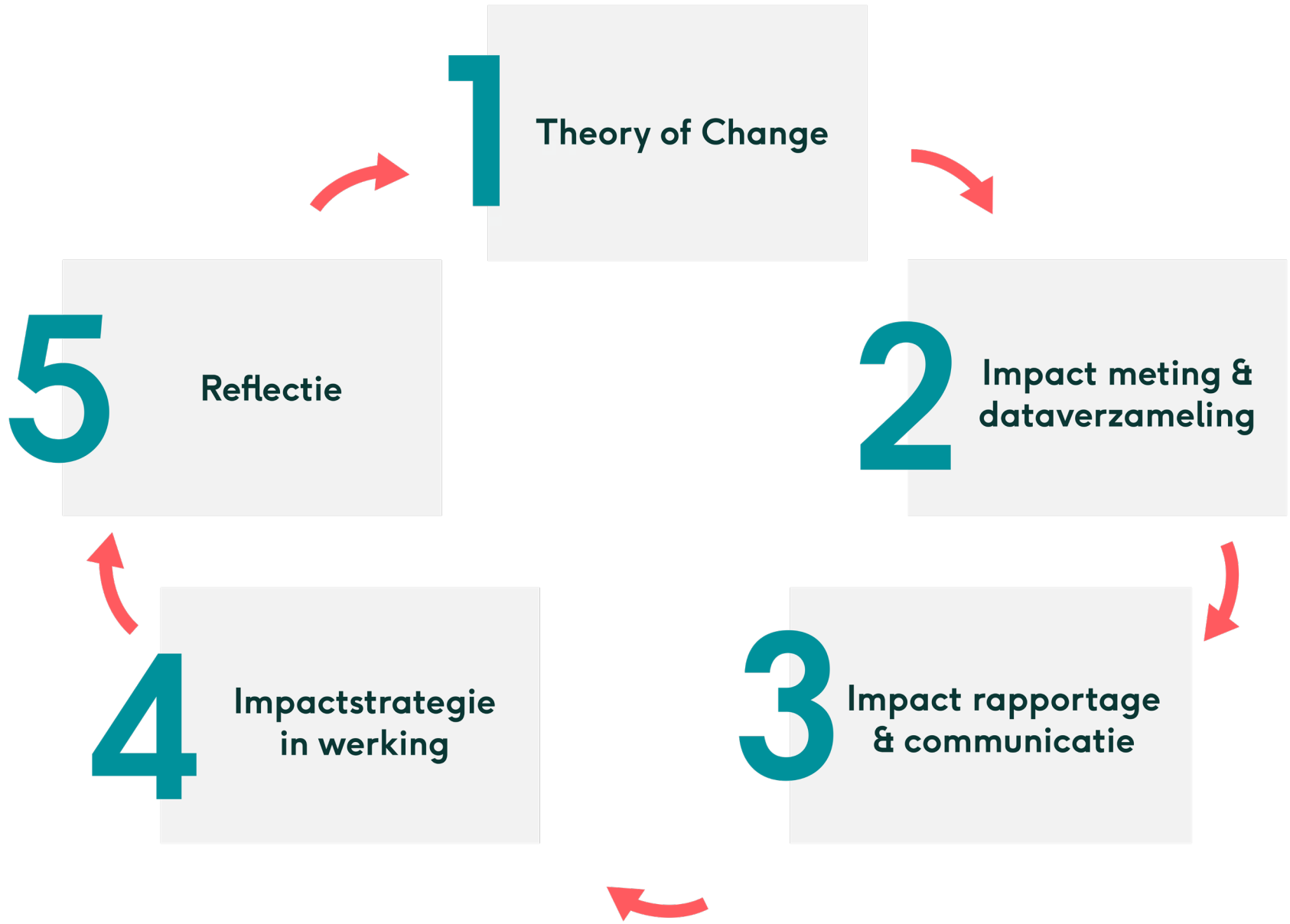


Fig.1 Impact strategy cycle

02

Theory of change

The core element to making our impact strategy actionable is the Theory of Change. A Theory of Change is a model describing the pathways to create intended impact based on underlying assumptions. The model explains Lendahand's intended path to impact by outlining short, intermediate, and long-term outcomes based on underlying assumptions. A visualization of Lendahand's Theory of Change can be found at the end of page 07.

Our investment portfolio

The impact pathways described in our Theory of Change are based on business categories in our investment portfolio. We distinguish between direct investments and through local partners (financial institutions) on-lending affordable debt funding to SMEs.

Our direct investment portfolio broadly consists of the following categories:

- Clean energy companies providing solar home systems to households, solar systems for productive use, or biogas digesters for agribusinesses
- Agriculture companies providing agricultural products and services to or purchasing agricultural products from smallholder farmers
- Fintech companies providing digital financial services (e.g. mobile payment services) to micro, small and medium enterprises (MSMEs)

Problem: What we want to resolve

Our crowdfunding platform was established in response to the growing annual funding gap of \$5.2 trillion for SMEs² in emerging markets seeking funding and available capital from traditional financial institutions. At the same time there is a growing group of impact minded everyday investors that want to invest their money in a fair and transparent way in businesses and financial institutions in emerging countries who lack funding opportunities.

Activities: What we do

Lendahand is moving the needle by mobilizing investments from impact minded retail investors in Europe to SMEs in emerging markets through their crowdfunding platform. This way SMEs get access to affordable, fast, and flexible debt capital to grow their businesses. Affordable and flexible capital from retail investors to businesses in emerging markets directly contributes to sustainable financial inclusion, creating social impact and financial returns for our crowd of investors.

Outputs: What happens because of our activities

Lendahand is investing directly in businesses in the clean energy, agriculture or fintech sector, and indirectly through local partners (microfinance institutions) providing small working capital loans to their SME clients in a broad range of sectors. *Gender lens investing* is a key focus area in our impact strategy to promote gender equality³ by investing in women-owned or women-led enterprises, in businesses that promote workplace equity or businesses offering products or services that substantially improve the lives of women and girls.

²<https://www.ifc.org/wps/wcm/connect/03522e90-a13d-4a02-87cd-9e-9a297b311/121264-WP-PUBLIC-MSMEReportFINAL.pdf?MOD=AJPERES&CVID=m5SwAQA>

³<https://www.lendahand.com/en-NL/blog/797-mind-the-gap-lendahand-receives-usaid-grant-of-1-2-million-dollar-to-help-close-the-gender-gap>





Sollatek - Kenya

Outcomes: What our output means

Our crowdfunded investments in SMEs have immediate outcomes, which contribute to intermediate outcomes. We assume investing in all SMEs, either directly or indirectly via financial institutions, contributes to business growth and job creation, which should create a pathway for more sustainable growth and job creation.

Investments in clean energy businesses contribute to more provision of solar systems to households and businesses, and biogas digesters for agricultural businesses. At intermediate outcome level this contributes to households and businesses having improved access to clean energy. Investments in agricultural companies contribute to either providing more smallholder farmers having access to agricultural products and services allowing them to increase their yields, or providing smallholder farmers the opportunity to sell more crops. We assume this contributes to enhanced income generation at intermediate outcome level. Investments in fintech companies provide MSMEs and individuals with access to digital financial services creating a pathway for building a sustainable business or improved livelihoods.

Impact: The long term, big picture change

Our intended longer-term impact is change at the level of beneficiaries, the economy, and the environment. We aim to contribute to inclusive economic growth, improved livelihoods, and climate change mitigation in emerging markets. Impact at this level cannot only be attributed to our activities, but is also influenced by many other factors. This explains why high-level impact is not easy to measure and requires scientifically validated impact evaluation methods.

The core element to making our impact strategy actionable is the Theory of Change. A Theory of Change is a model describing the pathways to create intended impact based on underlying assumptions. The model explains Lendahand's intended path to impact by outlining short, intermediate, and long-term outcomes based on underlying assumptions. A visualization of Lendahand's Theory of Change can be found at the end of this page.

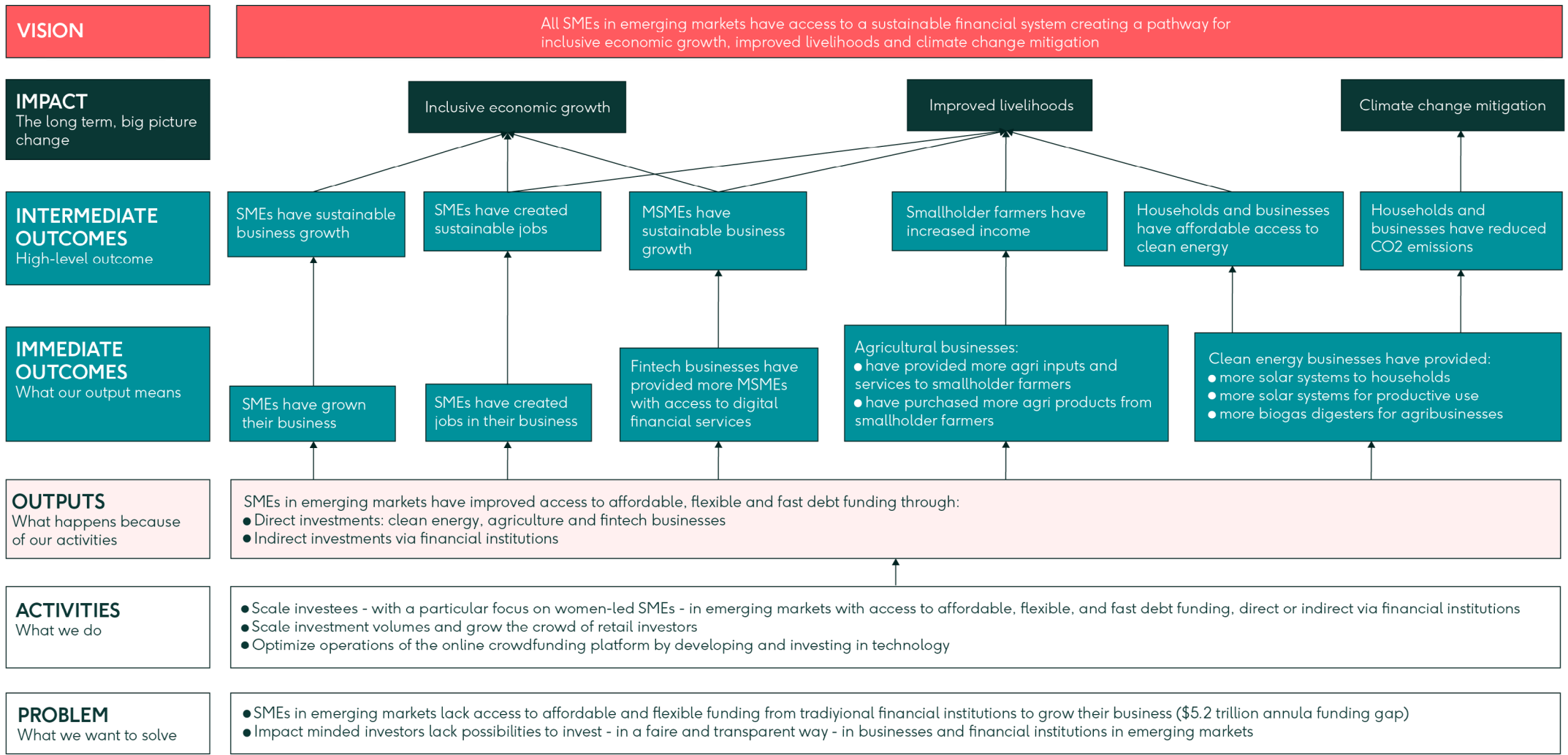


Fig. 2 Theory of Change

03

Impact measurement framework

Aligned impact measurement standards: IRIS+ System

We have aligned our impact measurement and monitoring framework with the IRIS+ system³ developed by the Global Impact Investing Network (GIIN). This is the most commonly used and leading framework in the impact investing industry. The IRIS+ system has been developed to support the practice of impact investing and promote transparency, credibility, and accountability in the use of impact data for decision making across the impact investment industry. We used the IRIS+ Thematic Taxonomy⁴ to select from broad to narrow the relevant Impact Categories and Impact Themes.

Impact Categories	Impact Themes
Financial Services	Financial Inclusion
Diversity and Inclusion	Gender lens
Energy	Energy access Clean energy
Agriculture	Smallholder agriculture

³<https://iris.thegiin.org>

⁴https://s3.amazonaws.com/giin-web-assets/iris/assets/files/iris/2021-05-27_IRIS-FND_Taxonomy-Final-R3.pdf

Impact metrics

For each impact theme, IRIS+ has developed strategic goals with underlying core metrics at output and outcome level. Based on our Theory of Change we selected the relevant metrics from the IRIS Catalogue (version 5.2⁵). These standardized and evidence-based metrics will support us to better measure the effects of our investments. Most of these metrics are also aligned with the UN's Sustainable Development Goals. We use GOGLA metrics⁶ to assess the effectiveness of investments in clean energy businesses, as these metrics are better aligned with the indicators in our Theory of Change. GOGLA is the leading global association for the off-grid solar energy industry.

Our impact measurement framework on the next page consists of the indicators from the Theory of Change at output, immediate, and intermediate outcome level translated into metrics. Each indicator has one or multiple metrics, which are aligned with the IRIS impact themes and SDGs. We have only included those indicators that are measurable through routine data collection from our portfolio companies. We have used proxy metrics for effects that cannot be measured directly (e.g. improved lives). A proxy indicator may not always be precise, but is used under the presumption that it gives at least approximate evidence on performance. Indicators at intermediate and impact level that are not included in the framework require more complex measurement methods.

Data collection and monitoring

The impact measurement framework allows us to monitor the realized outputs and outcomes of our investments and if we are still on track to contribute to our intended impact. It will also provide insight for business adjustments to be made ongoing, thereby increasing the impact over time.

⁵<https://iris.thegiin.org/metrics/>

⁶<https://www.gogla.org/impact/gogla-impact-metrics>



In 2021, we integrated our impact metrics into the periodic financial monitoring of our portfolio companies. Collected data provides investment decision information, supports us to learn and pivot when necessary, and strengthens our investment portfolio and investment strategy performance. This learning process will clarify which indicators are more difficult to measure by routine monitoring and might need other data collection methods.

Challenges

Measuring and monitoring impact is not always as easy and simple as it may seem. We have encountered the following challenges along the way:

- Data quality and reporting of our investees differs, which makes it more complicated to harmonize and analyze data at an aggregated level.
- It is harder to get immediate outcome data on SMEs financially supported by our local partners (financial institutions).
- Linking estimated and realized impact at project level is difficult as portfolio companies mostly do not collect data at this level.
- Impact attribution is more complicated for companies that have multiple external financiers.
- Impact categories can deliver positive social or environmental effects. We need to gain more insight into the negative and unintended consequences of our investments.







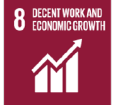

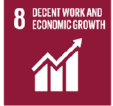

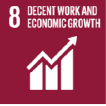

Impact reporting and communication







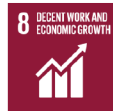



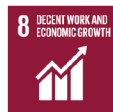



Our aim is to improve evidence-based impact communication to support decision-making, accountability, transparency and managing for results. We want to report our progress towards expected outputs and outcomes by comparing what we expected to achieve with what we have actually achieved, and explaining the variation between the two. This evidence will include the data collected on the performance indicators identified in the impact measurement framework to measure these outputs and outcomes.












At this moment we report estimated impact on our website both on aggregated and project level. The impact estimates for each project are based on input from our portfolio companies and our own initial estimations. However, the estimates at project level need to be aligned with our improved impact metrics. Further, we are actively sharing impact related articles on our blog page providing context and the bigger picture on impact areas, but also inspiring stories on the impact our portfolio companies are creating on the ground.

Based on our improved impact measurement framework, we have also initiated collecting data from our portfolio companies on their realized impact. We will use this data to produce our first annual impact report over 2021, providing our investors and other stakeholders with evidence-based information on the effectiveness of our work.

Impact Metric Overview

INDICATOR (Theory of Change)	METRIC (IRIS+ & GOGLA)	IMPACT THEME (IRIS+)	DIRECT IMPACT SDGs
OUTPUTS (What happens because of our activities)			
SMEs in emerging markets have improved access to affordable, flexible and fast debt funding	Volumes of debt funding disbursed to SMEs	Financial inclusion	  
	Volumes of debt funding disbursed to women-led SMEs	Gender lens	
SMEs in emerging markets have improved access to affordable, flexible and fast debt funding	Number of SMEs provided with debt funding	Financial inclusion	  
	Number of women-led SMEs provided with debt funding	Gender lens	
SMEs in emerging markets have improved access to affordable, flexible and fast debt funding	Number of projects funded	Financial inclusion	 
IMMEDIATE OUTCOMES (What our output means)			
SMEs have grown their business	Revenue growth	Financial inclusion	
SMEs have created jobs their business	Number of direct jobs created	Financial inclusion	  
	Number of direct jobs created for women	Gender lens	

Fintech businesses have provided more MSMEs with access to digital financial services	Number of MSMEs with access to digital financial services <i>(proxy metric for lives improved)</i>	Financial inclusion	 
	Number of women-led MSMEs with access to digital financial services <i>(proxy metric for lives improved)</i>	Gender lens	 
Agricultural businesses have provided more agri inputs and services to smallholder farmers	Number of smallholder farmers provided with agricultural inputs and services <i>(proxy metric for lives improved)</i>	Smallholder Agriculture Financial inclusion	 
	Number of female smallholder farmers provided with agricultural inputs and services <i>(proxy metric for lives improved)</i>	Gender lens	 
Agricultural businesses have provided more agri inputs and services to smallholder farmers	Number of smallholder farmers with increased sales to agricultural businesses <i>(proxy metric for lives improved)</i>	Smallholder Agriculture Financial inclusion	 
	Number of female smallholder farmers with increased sales to agricultural businesses <i>(proxy metric for lives improved)</i>	Gender lens	 
Clean energy businesses have provided more solar systems to households	Number of solar units sold < 11 Wp	Energy access Clean energy	
Clean energy businesses have provided more solar systems to households	Number of solar units sold > 11 Wp	Energy access Clean energy	

Clean energy businesses have provided more solar systems for productive use	Number of solar units sold for productive use	Energy access Clean energy	
Clean energy businesses have provided more solar systems for productive use	Generation capacity of solar systems installed for productive use (in Kw)	Energy access Clean energy	
Clean energy businesses have provided more solar systems for productive use	Number of businesses powered	Energy access Clean energy	  
	Number of women-led businesses powered	Gender lens	
Clean energy businesses have provided more biogas difesters for agribusinesses	Number of biogas digesters sold to agribusinesses (<i>proxy metric for number of improved lives at impact level</i>)	Energy access Clean energy	  
	Number of biogas digesters sold to women-led agribusinesses (<i>proxy metric for number of improved lives at impact level</i>)	Energy access Clean energy	
INTERMEDIATE OUTCOMES (Higher level outcomes)			
Households have affordable access to clean energy	Cost savings per household for solar units < 11 Wp	Energy access Clean energy	
Households have affordable access to clean energy	Number of people with imprived energy access (<i>proxy metric for number of improved lives at impact level</i>)	Energy access Clean energy	
Businesses have affordable access to clean energy	Number of businesses with improved energy access	Energy access Clean energy	

04

Impact ambition and roadmap

Our ambition is to provide €1 billion of debt funding to SMEs in emerging markets by 2027. We also want to foster gender equality and aim to increase the share of women-led businesses in our investment portfolio to 50% by the end of 2024.

From a broader perspective, we want to make crowdfunding-based impact investing in emerging market SMEs mainstream for all everyday investors in Europe, contributing to a more sustainable system for SME financing. A sustainable financial ecosystem for SMEs will catalyze local economic growth, poverty reduction, gender equality, access to affordable clean energy, and improve wellbeing for all.

To reach our ambitions, there are several steps needed to operationalize our impact framework:

- Further embedding our framework into all stages of the investment journey.
- Use learnings from the impact data collection and monitoring to pivot our measurement framework if needed.
- External evaluation and validation on the effectiveness of our work at portfolio level and selected case studies to understand and take action on the negative and unintended impact of our business.



Do you have any questions regarding this document,
don't hesitate to contact us at info@lendahand.com