



# **ADA & IforD: Impact Measurement and Management**



# Impact measurement and management in practice

## The experience of ADA and IforD

### About IforD



Investing *for* Development  
Société d'Investissement à Capital Variable

- **Impact investment manager** established in 2009
- Strong social vision, focused on emerging economies
- **Luxembourg umbrella fund structure** with 3 sub-funds, one of them being (**LMDF**)



### About ADA

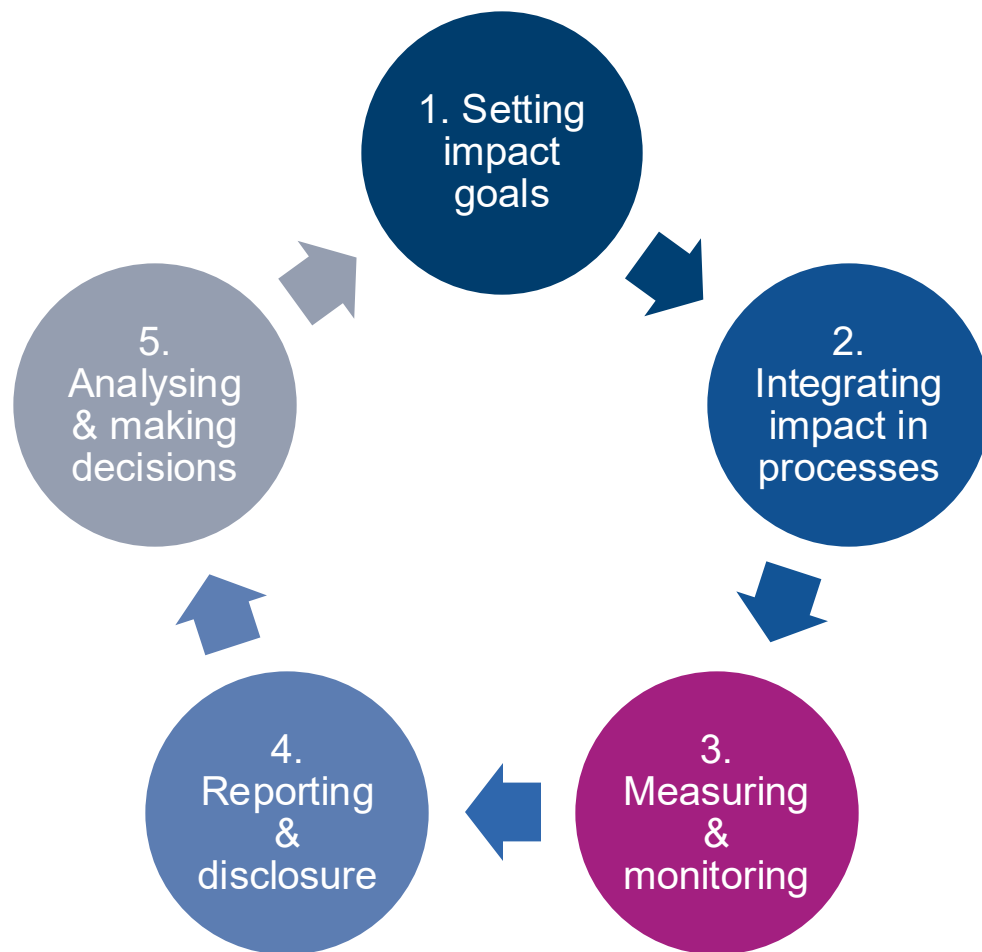


- Luxembourg-based NGO, promoting the **development of inclusive finance for +30 years**
- Acts as the **investment advisor of LMDF**:
  - ✓ Originates and monitors **investment deals**
  - ✓ **Processes disbursements**
  - ✓ Supports the **definition of the strategy**



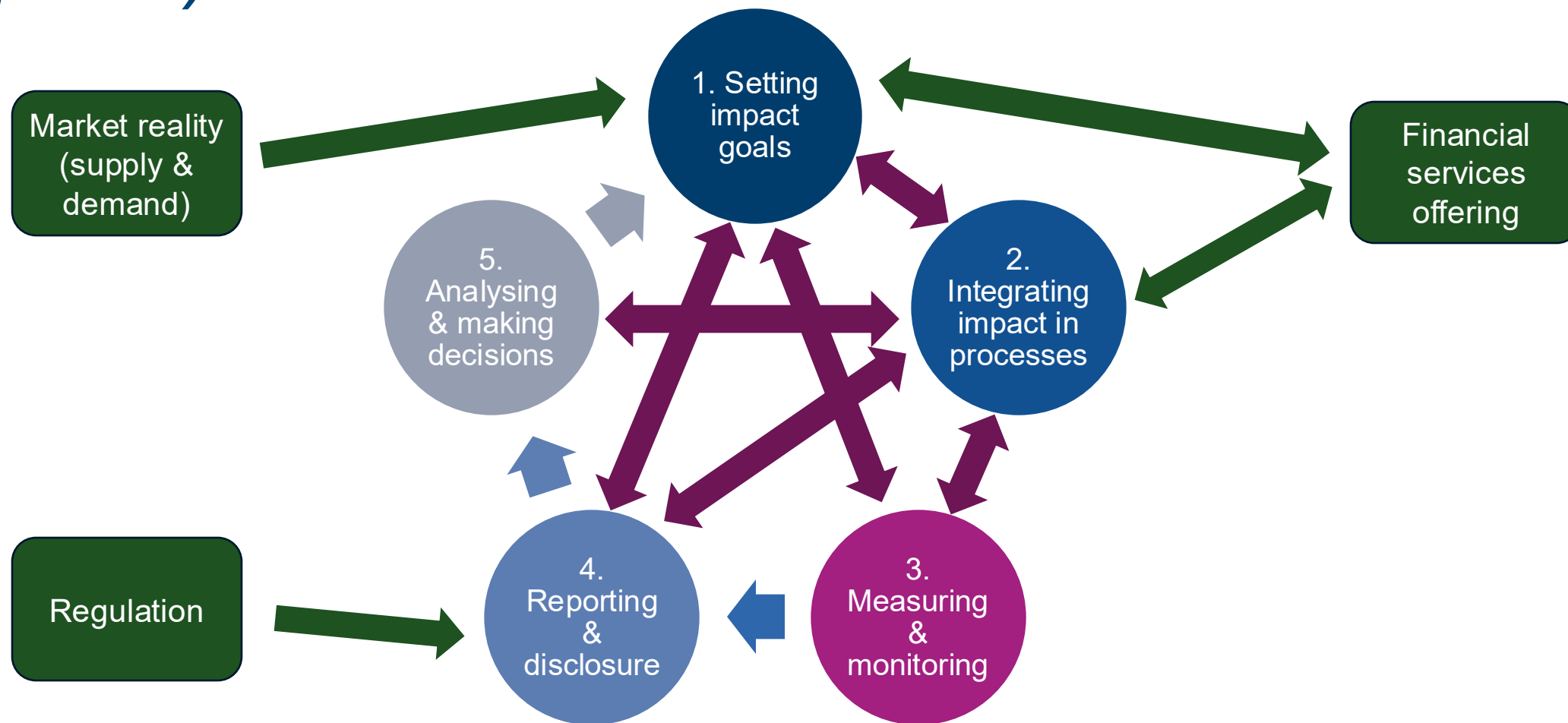
# Impact measurement and management as a process

*(in theory)*





# Impact measurement and management as a process (in practice)

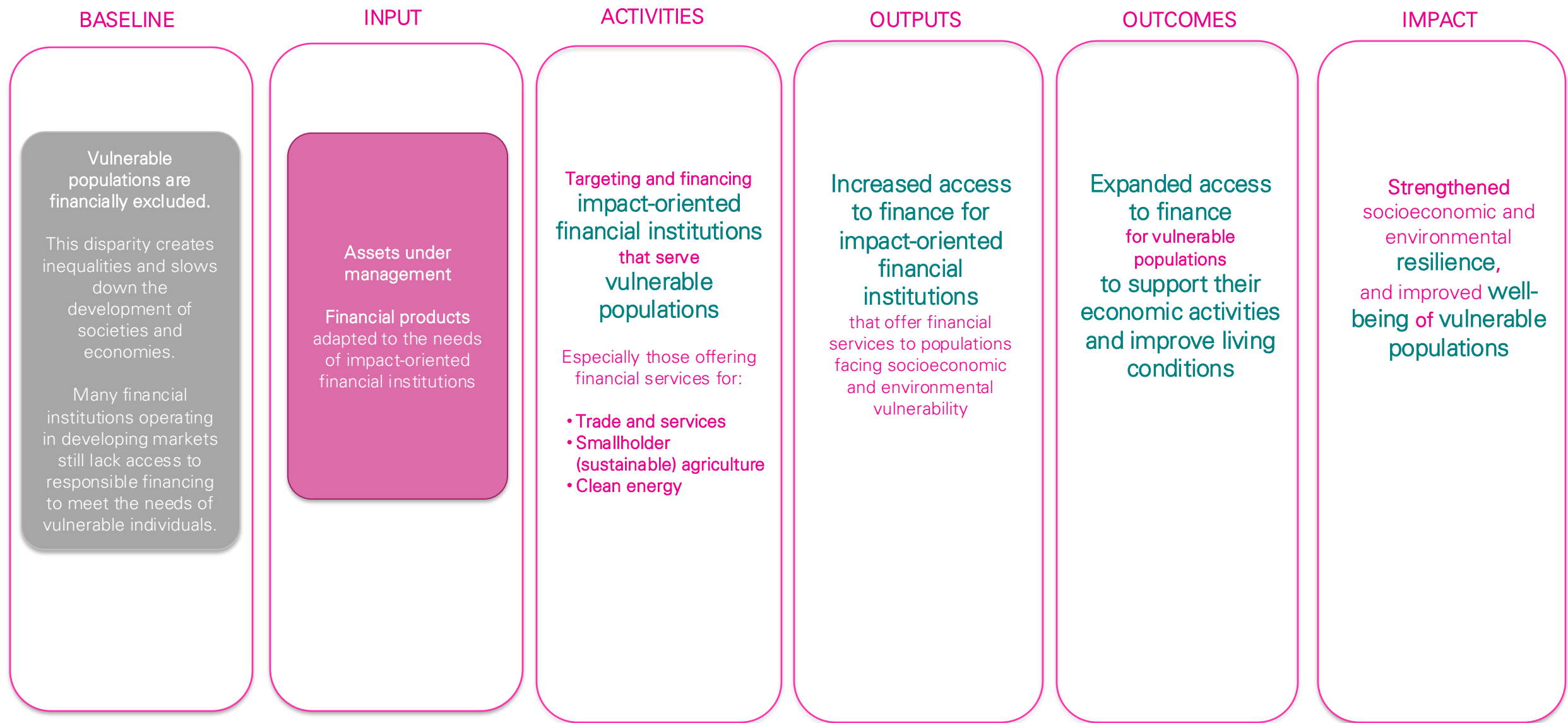




# 1. Setting impact goals – *in practice*

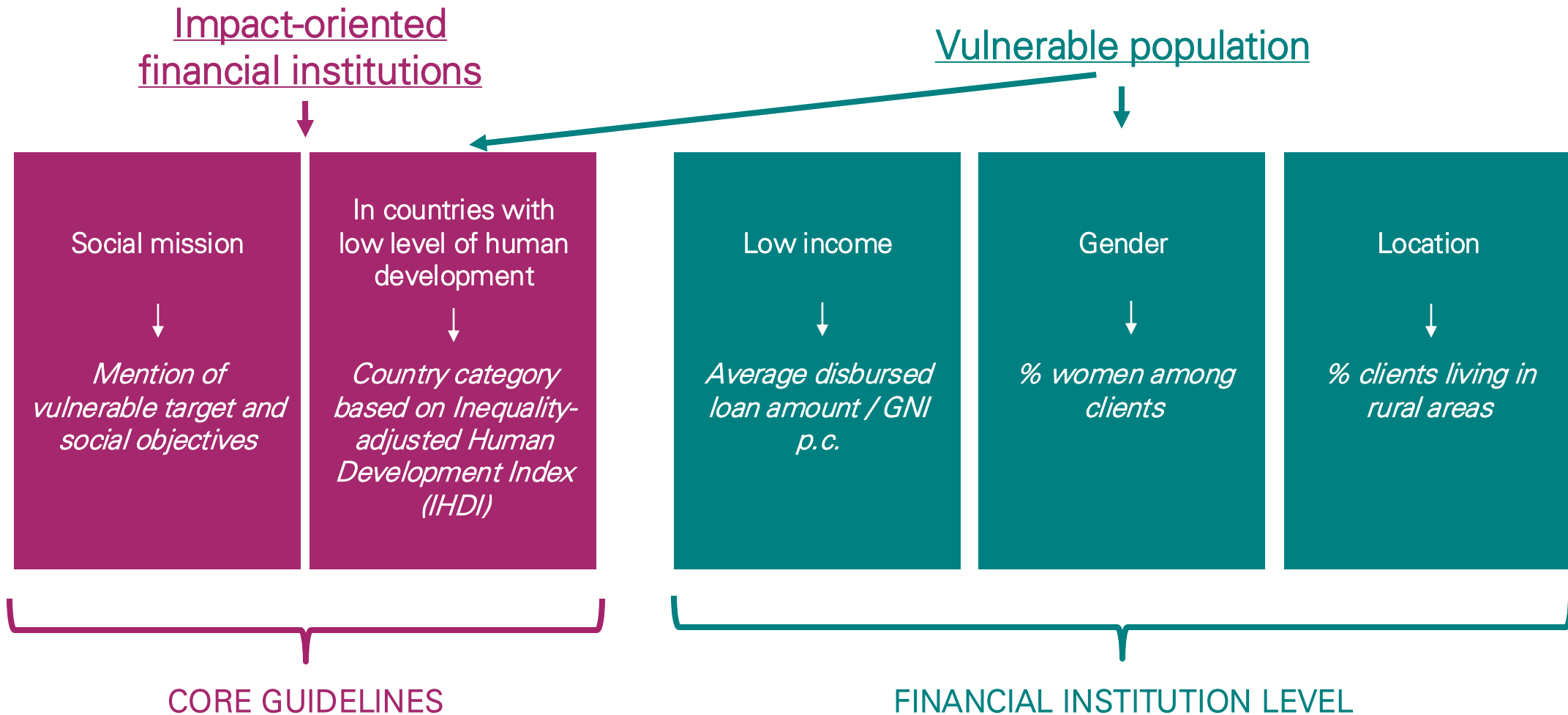
- Formalising **main goal** and **impact path** through a **Theory of Change**
  - ✓ What is the **overarching issue** the impact investor is trying to solve?
  - ✓ What **main goal** does the impact investor want to achieve? **For whom?**
  
- Defining key **criteria** and **metrics** (*and potentially targets*)

# 1. Setting impact goals – *example - drafting a theory of change*





# 1. Setting impact goals – *example - defining criteria*





## 2. Integrating impact in processes – *in practice*

- Identifying the **steps in the investment process** where to include these aspects:
  - ✓ Pre-identification & due diligence of potential investees → collecting relevant data for selection
  - ✓ Investment deal proposal → presenting relevant data for selection
  - ✓ Investment contract → agreeing with the investee on relevant data to monitor
  
- **Adapting the tools** to be used at each step to consider these aspects





## 2. Integrating impact in processes – *example*

### *Designing an assessment grid to select potential investees for due diligence*

Core guidelines			
Inequality-adjusted Human Development Index (IHDI), country ranking	Low	Medium	High/ Very high
Social mission (vulnerable target and social objectives)	Very clear	Partial	Not clear
Financial institution level			
Social criteria			
Gender	>X%	X-X%	<X%
Location	>X%		<X%
Economic criteria			
Average disbursed loan amount / GNI p.c. (Low IHDI)	<X%	X-X%	>X%
Average disbursed loan amount / GNI p.c. (Very High, High, Medium, IHDI)	<X%	X-X%	>X%



### 3. Measuring & monitoring – *in practice*

- **Collecting** data at the defined frequency through the tools developed at the previous step
- **Verifying** data and asking for correction if necessary
- **Agregating** data at portfolio level

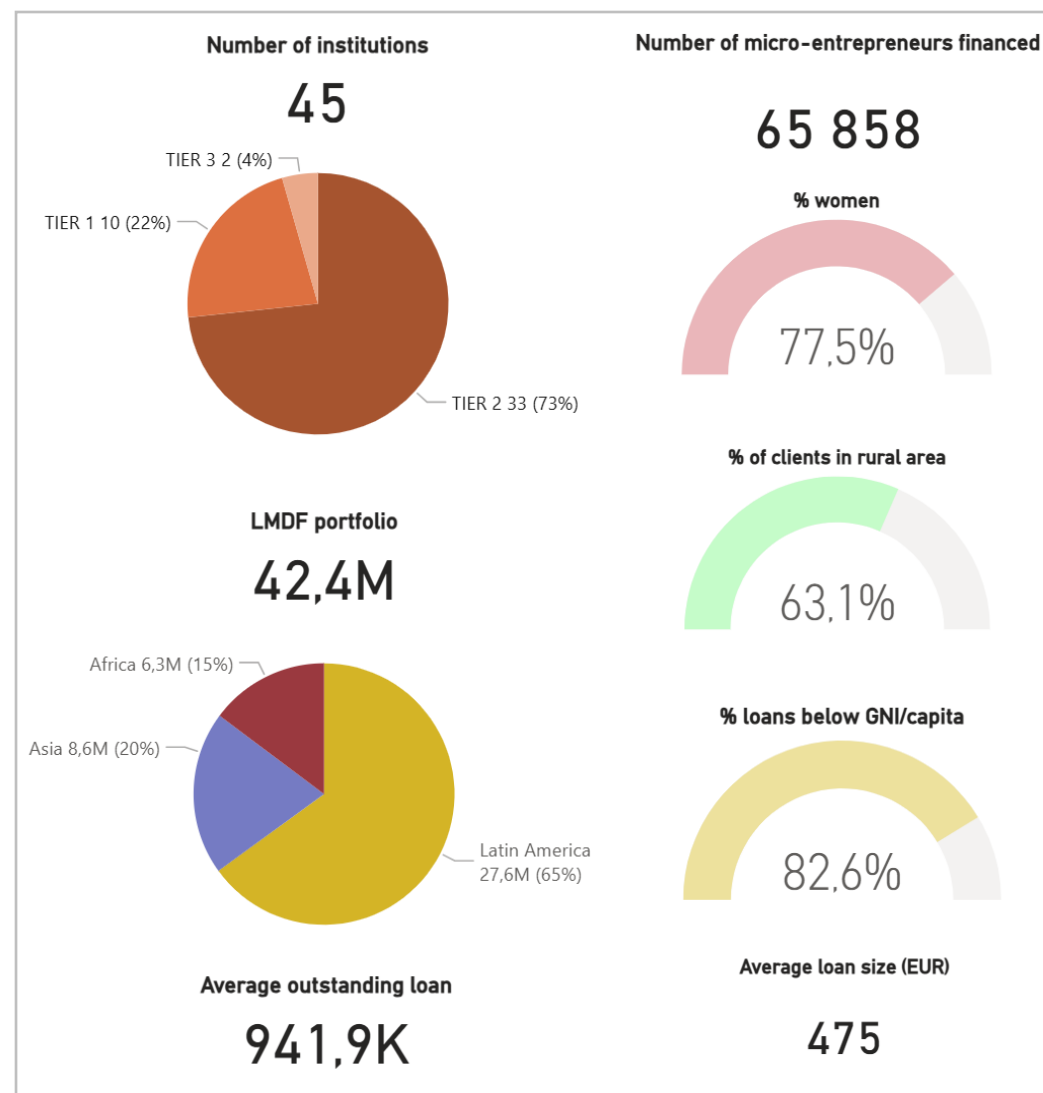
# 3. Measuring & monitoring – example

Collecting data per FSP

&

agregating data at portfolio level

NAME OF INSTITUTION XXX						
PLEASE FILL IN ALL YELLOW-COLOURED CELLS		REPORT IN				
Table C: Additional information		PASTE OPTION FOR INPUT CELLS				
Item ref.		Year	Year	Year	Year	Year-to-date
		2021	2022	2023	2024	2025-3
<b>MONETARY CONTEXT</b>						
C01	Exchange rate local currency / EUR (at period end)	1,1	1,1	1,1	1,0	0,9
C02	Annual inflation Rate (%)	3,6%	5,2%	4,1%	1,1%	1,9%
C62	Exchange rate local currency / USD (at period end)	1,0	1,0	1,0	1,0	-
<b>LOAN PORTFOLIO</b>						
C03	Nbr. of branches	8	8	9	10	10
C04	Nbr. of staff	125	130	145	163	170
C05	Nbr. of staff in credit and front office operations	47	51	55	63	65
C06	Nbr. of active borrowers	9.407	10.348	11.652	13.247	13.626
C07	Male	4.756	5.285	5.867	6.564	6.743
C08	Female	4.651	5.063	5.785	6.683	6.883
C09	Nbr. of active clients	9.407	10.348	11.652	13.247	13.626
C10	Male	4.756	5.285	5.867	6.564	6.743
C11	Female	4.651	5.063	5.785	6.683	6.883
C12	Gross loan portfolio (segmentation)					
C13	% for agriculture and food	13%	16%	17%	17%	17%
C63	% for trade, commerce, services and small craft	58%	56%	53%	51%	51%
C64	% for climate mitigation solutions	0%	0%	0%	1%	1%
C65	% for house and house improvement	0%	0%	0%	21%	21%
C66	% for education	0%	0%	0%	0%	0%
C67	% for health	0%	0%	0%	0%	0%
C16	% for consumption & others	29%	28%	30%	10%	10%
C28	Gross loan portfolio => other aspects					
C29	Nbr. of loans outstanding end of period	9.680	10.732	12.064	13.650	14.002
C30	OTHER	7.961	9.251	10.318	11.609	2.947
C31	Value of loans disbursed during period	13.291.074	16.216.542	18.621.748	21.762.030	5.288.886
C32	Value of write-offs during period	253.407	226.495	223.012	261.884	0
C36	Starting date fiscal year	01/01/21	01/01/22	01/01/23	01/01/24	01/01/25
<b>EXTRA FOR SOCIAL INDICATORS (only at period's end)</b>						
<b>BORROWERS</b>						
C45	Number of active borrowers	9.407	10.348	11.652	13.247	13.626
C07	Male	4.756	5.285	5.867	6.564	6.743
C08	Female	4.374	5.063	5.785	6.683	6.883
C46	Number of new borrowers during the period	1.948	0	3.123	3.789	894
<b>SAVERS</b>						
C47	Number of voluntary savers	0	844	1.293	1.640	1.726
C48	Voluntary savings	0	8.061.254	10.516.921	13.024.926	13.307.365,88
C49	Total savings	4.811.024	8.061.254	10.516.921	13.024.926	13.307.365,88
<b>CLIENTS</b>						
C50	Number of active clients	9.407	10.348	11.652	13.247	13.626
C51	Rural	7.036	8.074	9.668	9.113	9.093
C52	Urban	2.371	2.274	1.984	4.134	4.533
C53	Number of new clients during the period	1.948	0	3.123	3.789	894





## 4. Reporting & disclosure – *in practice*

➤ **Complying with regulation and good practices**



# 4. Reporting & disclosure – *example*

## *Principles of Adverse Impact disclosure (SFDR) & social performance report*

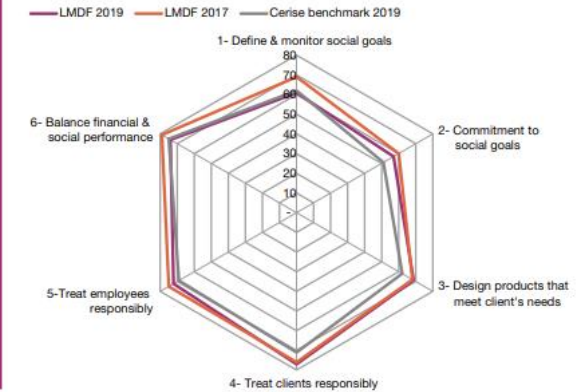
Indicators applicable to investments in investee companies							
Adverse sustainability indicator		Metric	Unit	Impact 2022	Data Coverage	Explanation	Actions taken, and actions planned and targets set for the next reference period
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS							
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	tCO2e	440	96%	Note 2	Note 1
		Scope 2 GHG emissions	tCO2e	69	88%	Note 2	Note 1
		Scope 3 GHG emissions	tCO2e	10,369	90%	Note 2	Note 1
		Total GHG emissions	tCO2e	10,879	91%	Note 2	Note 1
	2. Carbon footprint	Carbon footprint	tCO2e/Meur	11	91%	Note 3	Note 1
	3. GHG intensity of investee companies	GHG intensity of investee companies	tCO2e/Meur	579	83%	Note 4	Note 1
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	%	N.A.	N.A.	Note 5	Note 1
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed	%	60%	99%	Note 6	Note 1

Building on  
a first decade  
of social  
performance

Social Performance Report 2020

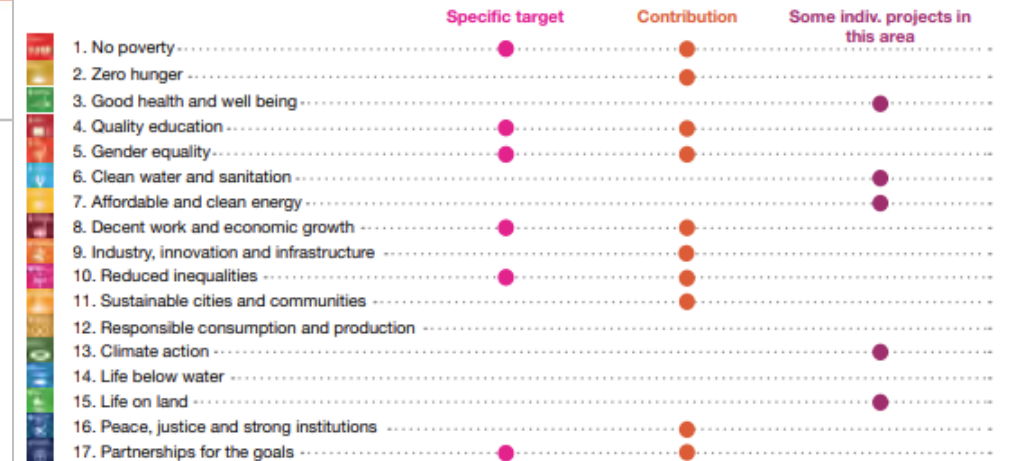


GRAPH 2.1:  
ALINUS SCORE OF LMDF'S PORTFOLIO IN 2017 AND 2019 COMPARED WITH CERISE'S 2019 BENCHMARK



Source: Cerise and LMDF

ILLUSTRATION 3.1: GOALS TARGETED BY LMDF AND PARTNER MFIS



Initiative



## 5. Analysing & making decisions – *in practice*

- **Analysing** data in light of the objectives and criteria set
- **Making decisions** regarding the potential investment renewals and the type of investees to target
- **Benchmarking** data with pairs in the sector
- Potentially **adjusting** objectives, criteria, tools or reporting based on the analysis



## 5. Analysing & making decisions – *example*

*Analysing the portfolio against all criteria & revising target investees*

FSP	IHDI country category	Gender	Location rural	Average disbursed loan/GNIpc	Assessment of strategic fit
FSP 1	Medium	100%	96%	4%	GOOD FIT
FSP 2	Medium	53%	68%	43%	GOOD FIT
FSP 3	Medium	59%	68%	58%	GOOD FIT
FSP 4	Low	87%	10%	31%	GOOD FIT
FSP 5	Low	77%	66%	55%	GOOD FIT
FSP 6	Low	48%	19%	120%	MIGHT NOT BE A GOOD IT
FSP 7	Low	46%	NA	437%	MIGHT NOT BE A GOOD FIT → strong arguments needed
FSP 8	Low	23%	90%	350%	MIGHT NOT BE A GOOD FIT → strong arguments needed



## 5. Analysing & making decisions – *example*

*Benchmarking with other funds to confirm or adapt objectives*

Benchmark	% Women	% Rural
Impact investor 1	75%	76%
Impact investor 2	51%	39%
Impact investor 3	77%	65%
Impact investor 4	56%	52%
Impact investor 5	87%	72%
Impact investor 6	87%	65%
Impact investor 7	62%	42%
ATLAS	57%	56%
TAMEO PAIF	62%	52%
Example fund	68%	66%





# Questions?





# Thank you for your attention.

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