



## THEORY OF CHANGE

2021 Report

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# The Theory of Change

## **a. Why the Theory of Change?**

Netri has designed its Theory of Change (ToC) in 2021. While the Foundation has been accumulating impact metrics for each investment and grant programme since its inception in 2006, its impact management was rather straightforward and concentrated on Outputs. Over time, the desire to improve its understanding of impact emerged and Netri recognised that it has not leveraged extensively on existing Impact Measurement & Management (IMM) frameworks. By developing its ToC, Netri will professionalise its impact views, create an easier way going forward to navigate impact conversations with internal and external stakeholders, understand more precisely the impact of its investments & donations and amplify its impact-driven decision-making.

## **b. The Theory of Change Framework**

IMM tools and frameworks were traditionally adopted by the nonprofit sector and are becoming more than ever a standard for social businesses in need of articulating their social and environmental benefits. The United Nations Sustainable Development Goals (SDGs), the Impact Management Practice (IMP), the International Finance Corporation Impact Principles and the Theory of Change are currently the main frameworks social-driven organisations use. After carefully exploring each of them, Netri has developed the ToC believing it is the most adequate at this stage since the ToC is a reflective exercise of our activities and their intended outcomes and encompasses insightful implementable recommendations.

## The Framework:

Typically, a ToC is composed of the following elements, although the framework can vary depending on the nature of the underlying subject, its size or sector<sup>1</sup>.

- **Activities / inputs:** Strategies, activities or interventions
- **Output:** The result of the activities/ inputs
- **Outcomes:** Refers to the short-term goal or non-financial value produced
- **Long-Term Outcomes / Impact:** Refers to the long-term goal that an organization or sector aims to achieve
- **Indicators:** Metrics used to measure impact progress
- **Assumptions:** They are the backbone of the ToC framework as they need to hold factual for outcomes to be achievable

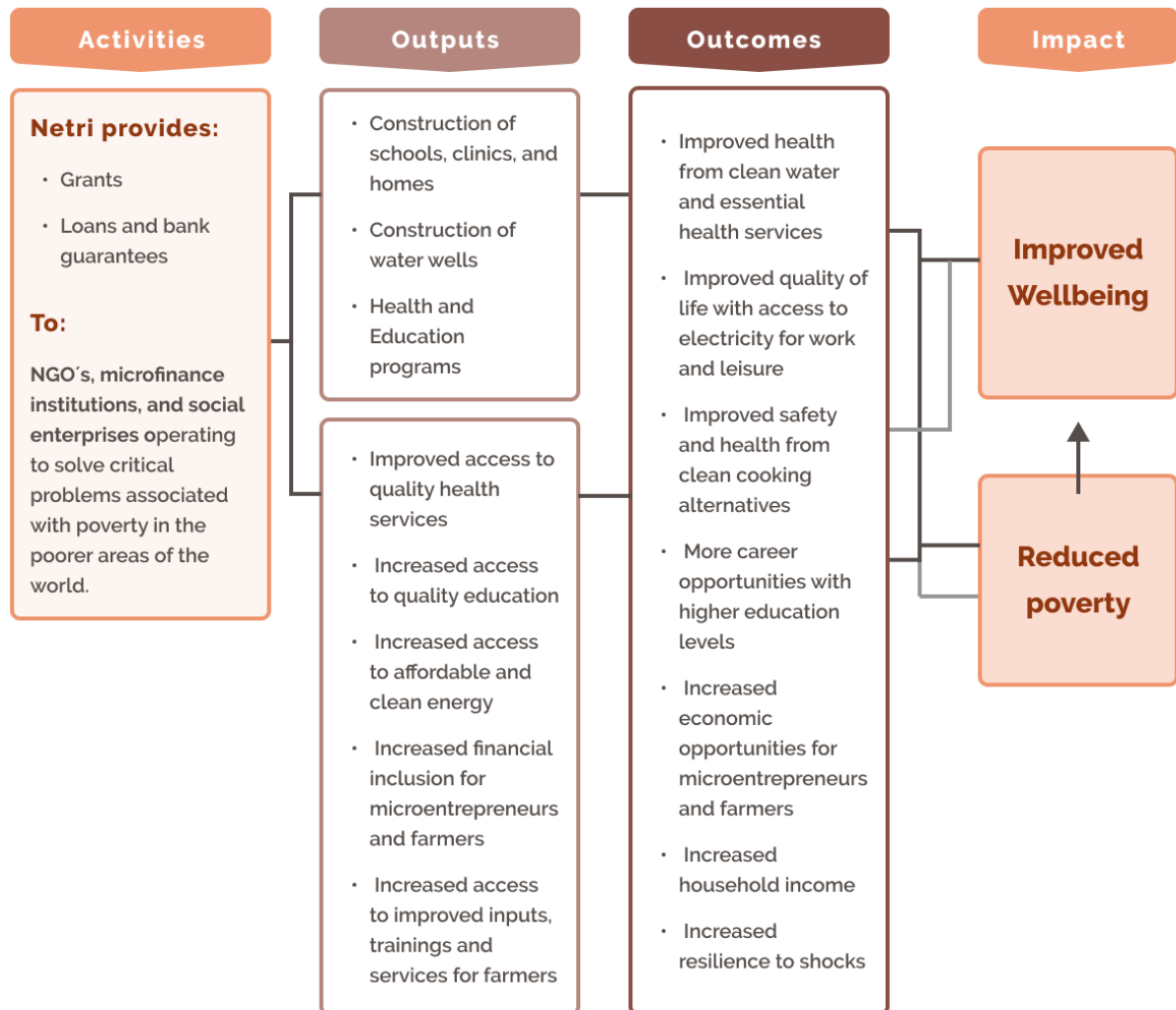
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<sup>1</sup> <https://www.theoryofchange.org/>

# Netri and Sectors

## a. Netri

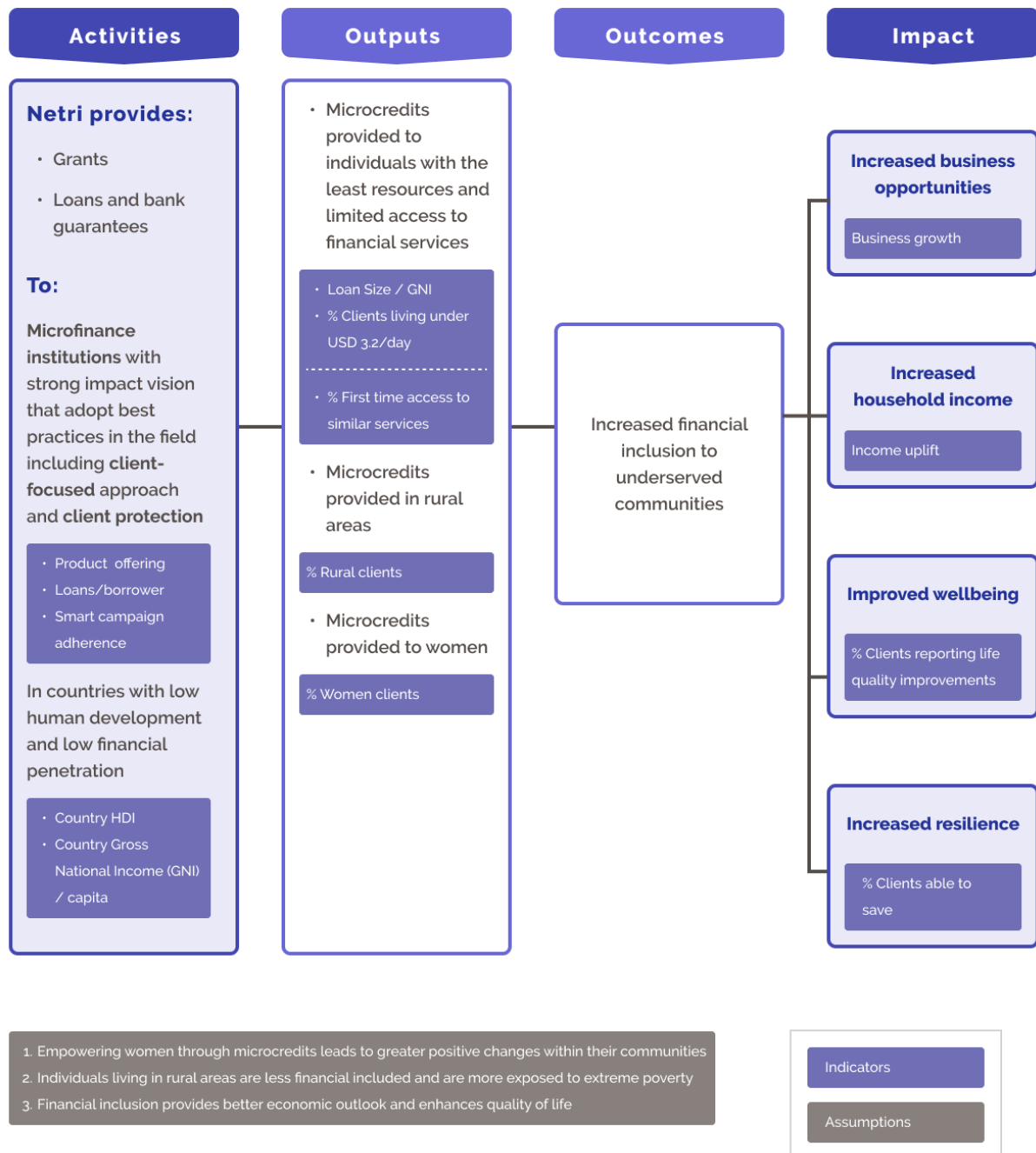
**Mission:** To improve the quality of life of the world's poorest, by supporting organizations that provide access to essential basic needs, foster economic opportunities, and increase economic and social resilience.



The first ToC was developed on Netri at an organizational level and was useful to visualise the larger picture of the Foundation's impact flow. Netri's long-term goal is to improve wellbeing, quality of life and reduce poverty in the more underdeveloped parts of the world. As demonstrated by this ToC, Netri works across distinct sectors, has a double-action strategy involving a Social Investments and Grants Programme and only finances projects and companies rather than implementing directly. Nevertheless, to analyse more granularly Netri's impact, it is fundamental to extend the ToC framework to each of the 7 sectors.

## b. Access to Finance

**Mission:** To improve the economic situation and resilience of underserved communities by supporting microfinance institutions that provide financial services to micro-entrepreneurs, particularly in lower income and rural areas.



Access to Finance, Financial Inclusion or the Microfinance Institutions (MFI) sector is part of the Social Investments programme, and represents most of Netri's social Investments (71%, accumulated investments, 2020 YE). Until the ToC was developed in this sector, the indicators that Netri measured were exclusively focused on the Activity

and Output levels. For example, Netri has developed a MFI Social Ranking Framework for the purpose of strengthening its impact due diligence process and supporting its investment decision-making. More precisely, this tool looks at impact factors that Netri believes are fundamental for a first MFI impact screening and include weighted quantitative data on Country Human Development Index (HDI) & Income group or share of rural & women clients. It also provides an overall view on Netri's impact portfolio distribution.

## MFI Social Ranking Framework



While developing the ToC, the Foundation realised that Outcomes- and Impact-level metrics must be measured to grasp a deeper sense of its investments' role in effectively increasing economic resilience and wellbeing of end-beneficiaries. This is crucial for the main reason that impact in the traditional microcredit model has often been challenged and could be limited<sup>2</sup>. In summary, not all borrowers may want to target high-return investment and many borrowers use loans for consumption purposes, suggesting non-entrepreneurial returns. Reflecting on this, Netri could incorporate new client-focused and client protection metrics into its MFI partner decision-making process.

<sup>2</sup><https://www.povertyactionlab.org/policy-insight/microcredit-impacts-and-limitations>

Another takeaway is that Outcomes data and answers can be provided by incorporating the “voice” of the beneficiaries, by commissioning client / beneficiary surveys such as the lean data impact studies<sup>3</sup> and by leveraging previously conducted lean data studies by other investors. The importance of these client-focused surveys is twofold. The first is, understanding in depth the impact of our portfolio and the second is testing assumptions. For example, a strong assumption made in the industry and at Netri is that the lower the microloan provided to end-beneficiaries, the more impactful it is given that the lower-income individuals are reached. Nevertheless, this assumption can be debatable because concerns on micro lenders over indebtedness and end-beneficiary use of funds optimization remain. A different viewpoint could suggest that financing Small, Medium Enterprises (SMEs) would equally provide impact and jobs would be created with more certainty given that companies are more resource-efficient and professionalised than microentrepreneurs.

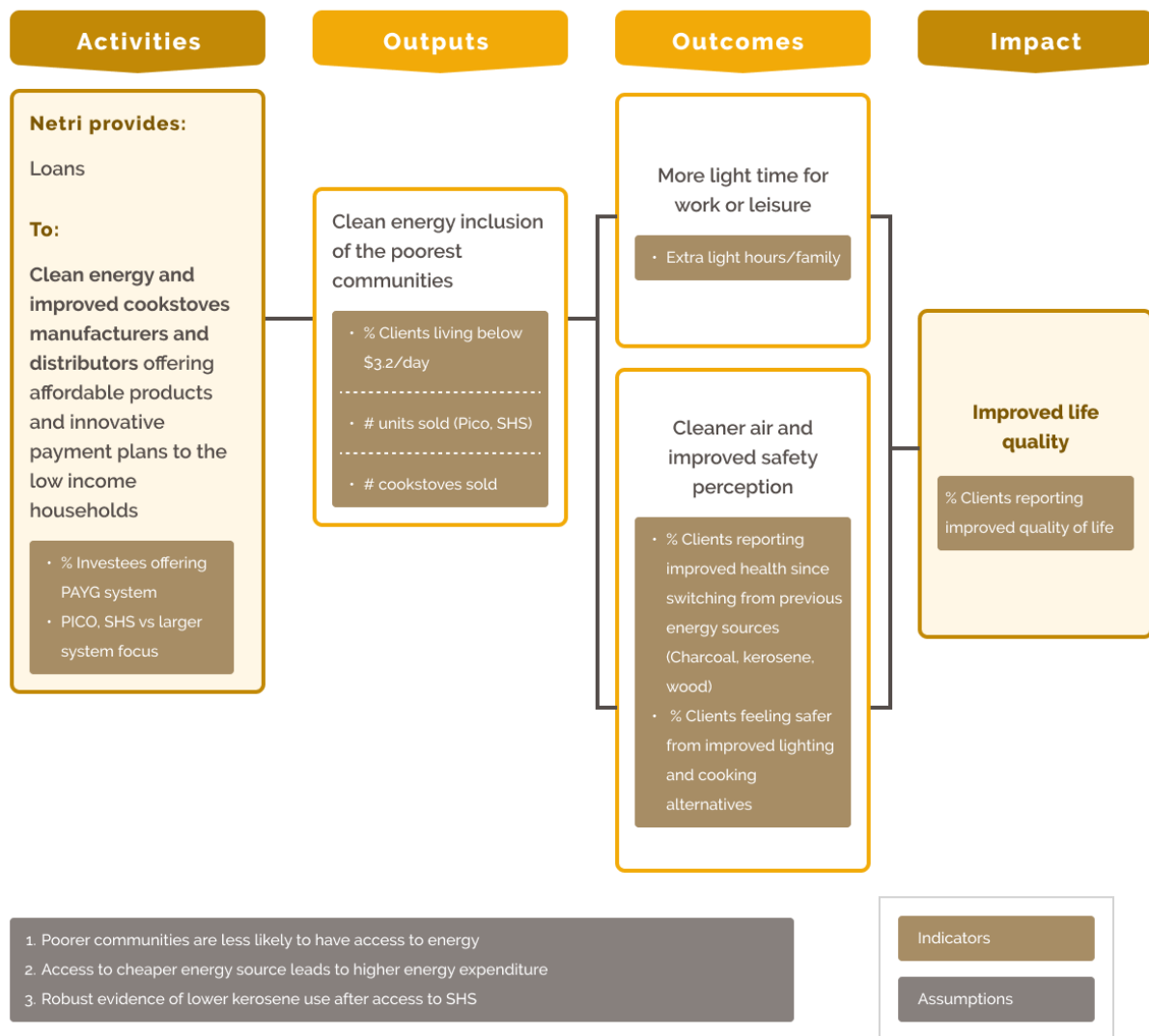
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<sup>3</sup> <https://60decibels.com/>



## C. Access to Energy

**Mission:** To improve clean energy access, health, and life quality of the poorest households



The Access to Energy sector is part of Netri's Social Investments programme and represents 6% of Netri's accumulated invested amount.

Developing the ToC for this sector has challenged the way Netri measures impact, as the Foundation initially looked at Outcomes from numerous angles, including economic, social, health and environmental angles. Before, Netri monitored a wider number of impact metrics that were formed on loose assumptions and disputable evidence. However, after conducting research, Netri will now base its guiding principles for Access to Energy impact views and articulation on the *intentionality* and *conclusiveness*, reducing the total impact metrics measured.

On one hand, what will be further highlighted following research and discussions with sector stakeholders and experts, is the *Gained Light Time* from owning Solar Home Systems (SHS) devices as an Outcome and a finality. SHS provide rural households more freedom and choice. This extra light time (1.2 hours on average per family according to Acumen Energy Report, 2017) is typically used for leisure or studying, although the latter does not necessarily result in better grades for children. This is an example of an inaccurate assumption as it is generally assumed that better grades are a result of more light time, but studies such as the Lantern giveaway study made in Zambia have shown that improved energy access is a relatively unimportant educational input<sup>4</sup>. All things considered, Netri is convinced of the sole impact from extra light time, synonymous with safety and increased life quality, regardless of whether the time is used to increase productivity (better grades, higher income, etc).

Netri also confirms the main Outcome desired which is to provide clean air and improve safety to its end-beneficiaries, whether it is from clean energy cookstoves or SHS. Many households (HH) have used charcoal, kerosene and wood as a main source of energy, which are harmful to their health. Several studies demonstrate robust evidence of decrease in kerosene use when switching to off-grid solar power<sup>5</sup>.

On the other hand, economic metrics such as *\$ Saved (vs Kerosene)* or *Income Generation* will be omitted from 2021, since evidence shows inconclusive results related to lower household energy expenditure. While the purchase of an inexpensive solar lantern leads to lower energy cost compared to kerosene, purchase of bigger SHS increases energy use and expenditure on average<sup>6</sup>. In the same fashion, *Income Generation* was an Outcome considered key at Netri although it was not reported regularly. Several studies on the benefits and the challenges to productive use of off-grid rural electrification suggest that in rural areas of developing countries, "households use electricity primarily for lighting, transitioning away from kerosene, but they rarely use electricity for cooking or for productive uses."<sup>7</sup>.

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<sup>4</sup> <http://web.stanford.edu/group/fwolak/cgi-bin/sites/default/files/Assessing%20Opportunities%20for%20Solar%20Lanterns%20to%20Improve%20Educational%20Outcomes%20%28June%202018%29.pdf>

<sup>5</sup> <https://advances.sciencemag.org/content/3/5/e1602153.full>

<sup>6</sup> <https://medium.com/energy-impact-series/last-month-we-launched-the-acumen-energy-impact-report-a-comprehensive-look-at-the-impact-of-our-bb6865cf97bb>

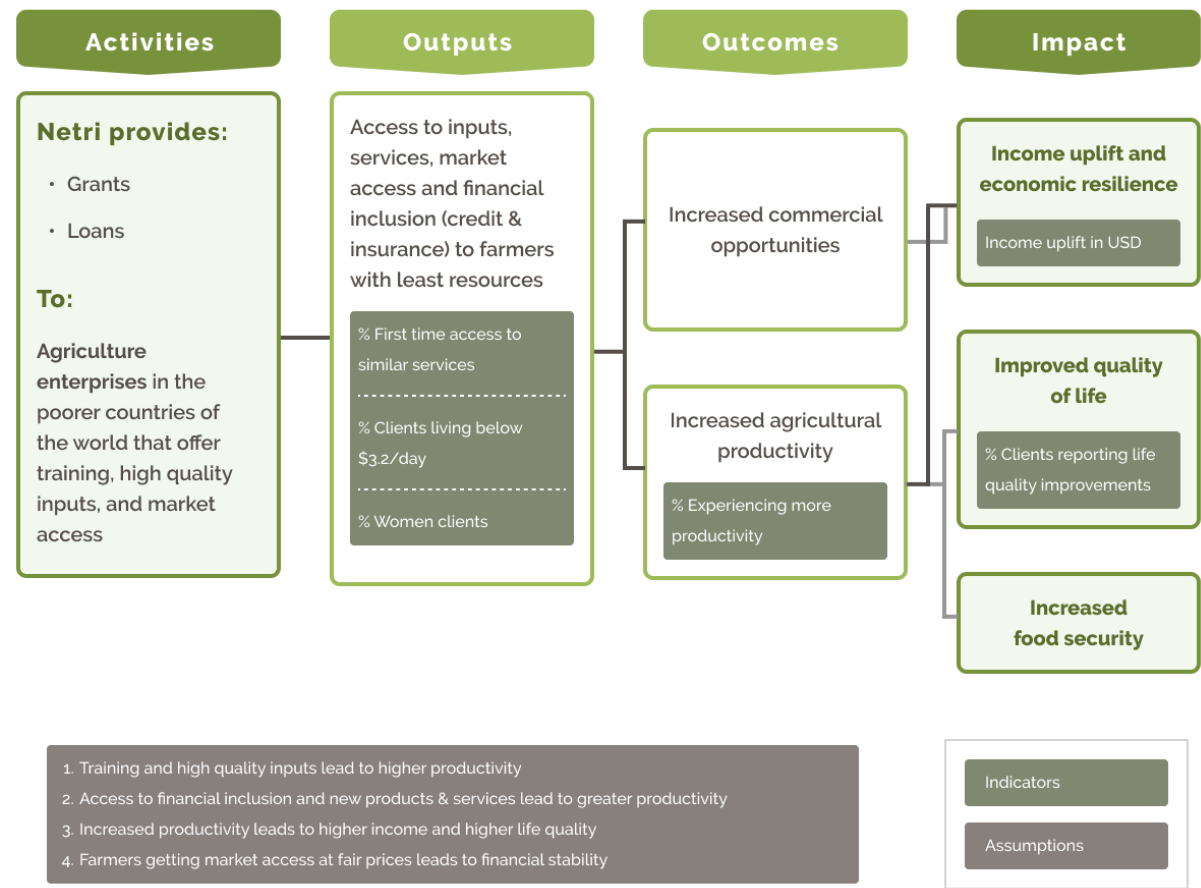
<sup>7</sup> <https://www.sciencedirect.com/science/article/pii/S0973082619303096#bib1>

Finally, Netri will stop from expressing the pollution mitigation effect and from monitoring and reporting Co2e emissions in the future.

Netri believes that while this is certainly true, this Outcome is unintentional and second to Netri's social mission, and therefore less relevant. In addition, considering the Co2e emissions of the whole SHS value chain would be more adequate. It is to remind that SHS batteries are made of lithium-ion, whose extraction harms the soil and causes air contamination<sup>8</sup>.

d. Agriculture

**Mission:** Improve economic situation and resilience of smallholder farmers



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[https://www.transportenvironment.org/sites/te/files/publications/2019\\_11\\_Analysis\\_CO2\\_footprint\\_lithium-ion\\_batteries.pdf](https://www.transportenvironment.org/sites/te/files/publications/2019_11_Analysis_CO2_footprint_lithium-ion_batteries.pdf)

Netri is involved in agricultural projects on both Social Investments (16%) and Grant (4%) Programmes. While projects in this sector are similar to the ones in Financial Inclusion as both involve financing end-beneficiaries with assets, impact in the agricultural sector is perceived as clearer, more certain and direct.

On one hand, providing loans certainly helps the household as extra cash can help alleviate urgent liquidity needs or for productive use such as purchase of material. On the other hand, providing a household with agricultural inputs only leads to one goal: to increase agricultural productivity and commercial opportunities, leading to income uplift.

Recent lean data studies confirm the overall high impact on smallholder farmers. Below dataset represents 34% of Netri's Cumulated investments in agricultural companies, and 51% of current Agricultural investment portfolio (2021 Q2).

<sup>9</sup> Company	Productivity increase	Income Uplift	Quality of life
GNA	83%	88%	88%
Apollo	90%	50%	84%
MyAgro	91%	74%	90%
Kennemer	N/A	N/A	30%

*Source: 60 Decibels Lean Data Reports*

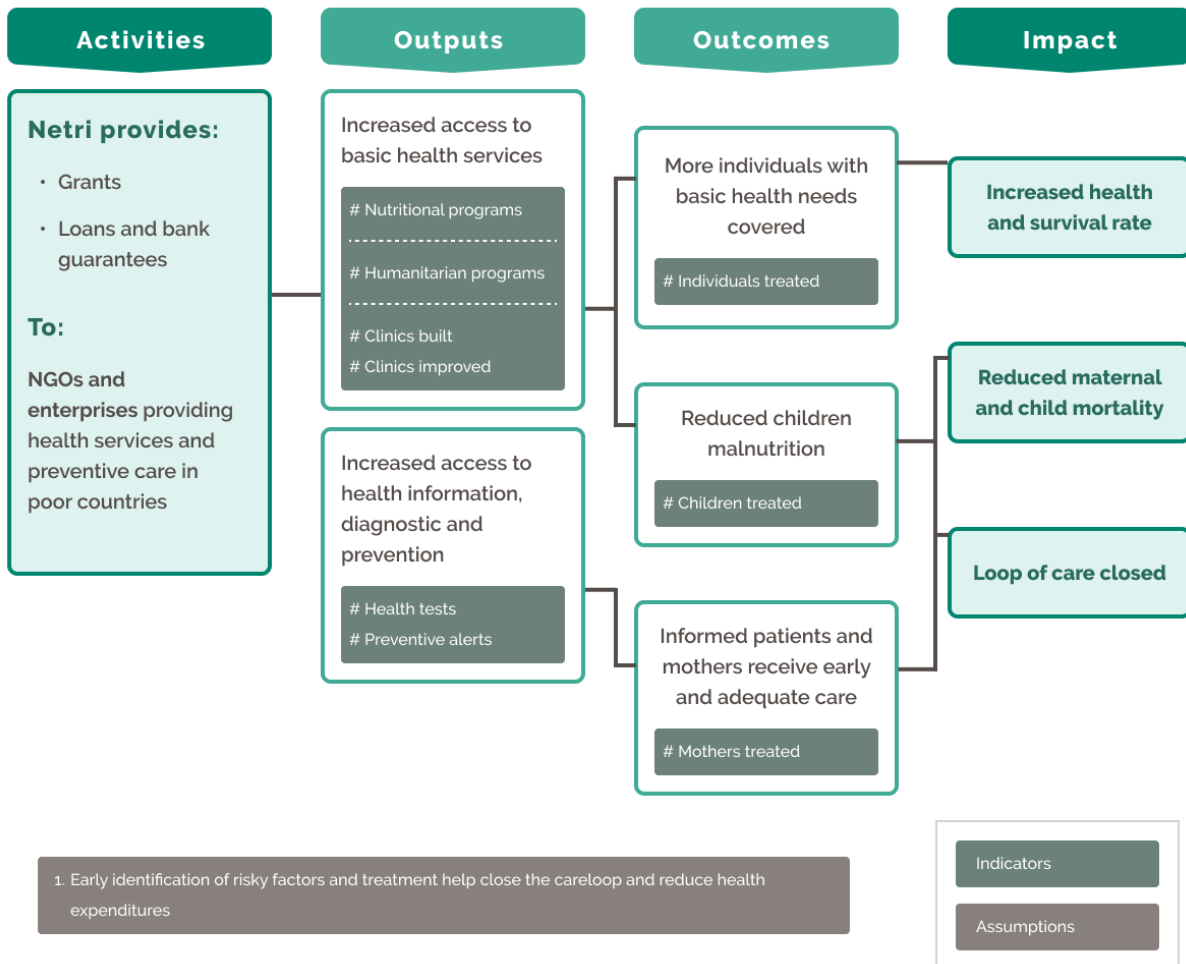
Amongst the Social Investments sectors, Agriculture offers the most convincing impact certainty across the three dimensions of impact: reach, breadth, depth.

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<sup>9</sup>Acumen, Lean Data Reports (GNA, Apollo, Myagro, Kennemer)

## e. Health

**Mission:** Provide basic health services, better nutrition and preventative healthcare solutions to low-income individuals



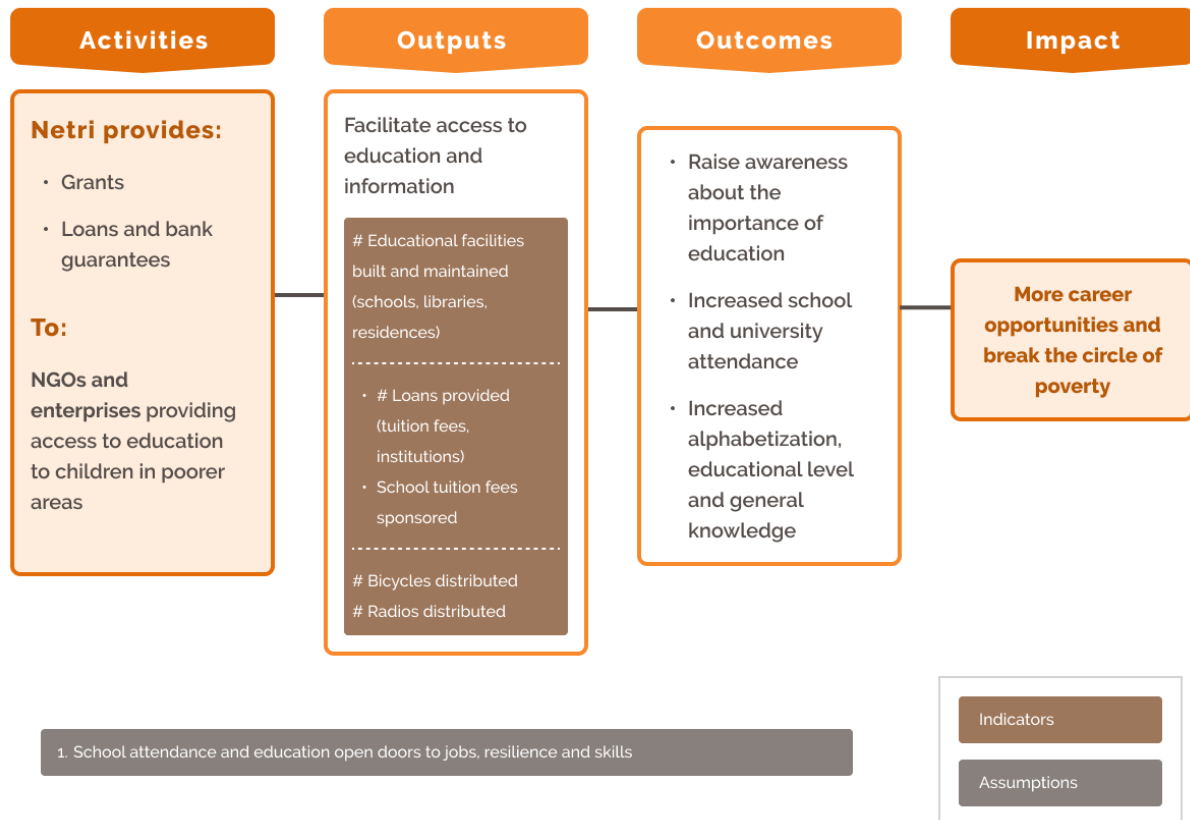
Investments and donations in the health sector represent 3% and 17% of each programme respectively and cover a wide range of health programmes as the Health sector comprises the most impact metrics (13) per sector in which Netri is involved.

39 out of 45 projects were part of the grants programme, including Nutritional Support Programmes, Humanitarian Aid and Clinics Infrastructure Improvements, and account for 63% of total health donations made.

Regarding Netri's health investments programme, each of the investments made were distinct projects and amount the same as Impact Metrics (5). This suggests that while other Social Investments sectors can benefit from lean data standardization and extrapolation, this analysis will not apply to the health sector and a case by case impact analysis is required.

## f. Education

**Mission:** Provide educational opportunities to high-need communities particularly in rural areas



Netri is involved in education projects on both Social Investments (4%) and Grant (60%) Programmes. The grant programme amounted €2,860,000 by 2020 YE and is highly concentrated, with 72% donations to Trust & Care (T&C). As depicted in above ToC, Netri's main impact indicators stand on the Output level. While it may be challenging, collecting information on children's language literacy and other educational knowledge could be informative about the effectiveness of these projects.

A suggested starting point is to collaborate further with existing partners such as T&C

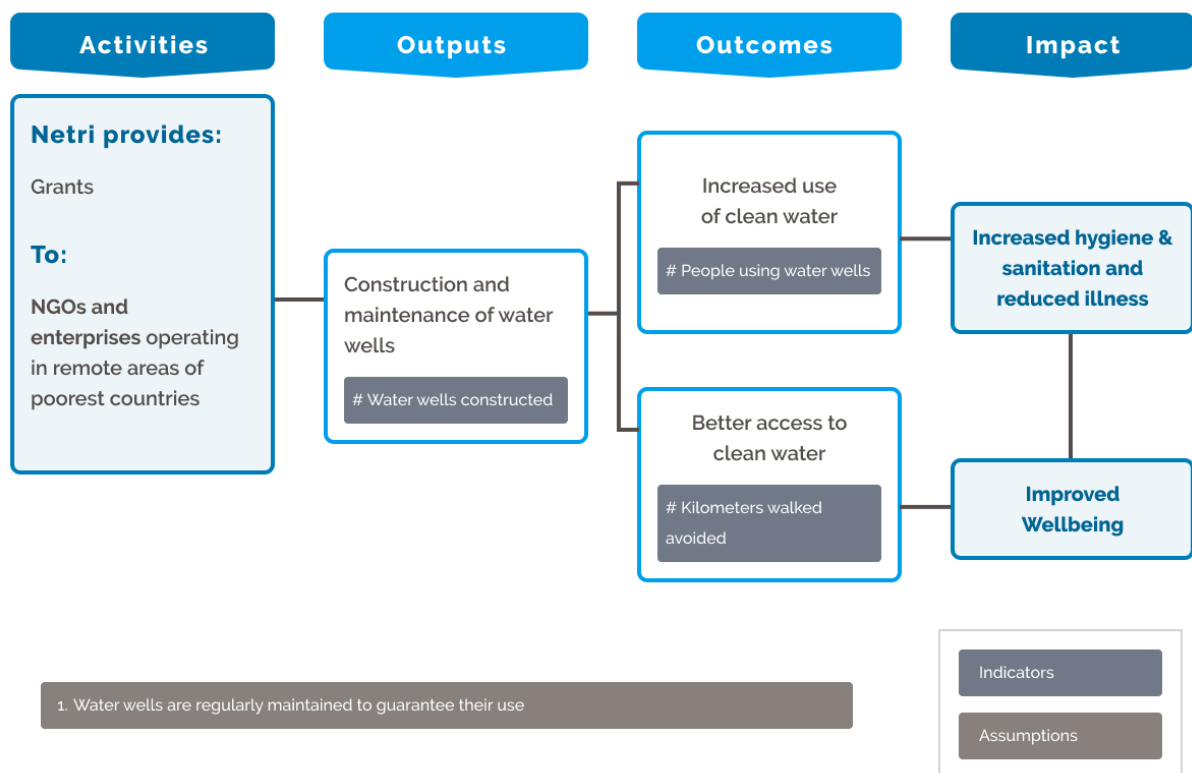
by generating key Outcome indicators comparing sponsored students (the control group) to the country national average on:

- high school attendance
- tertiary education attendance
- employment status
- income level

Finally, the long-term relationship between Netri and T&C offers a safe space for both entities to explore IMM innovations.

### g. Water

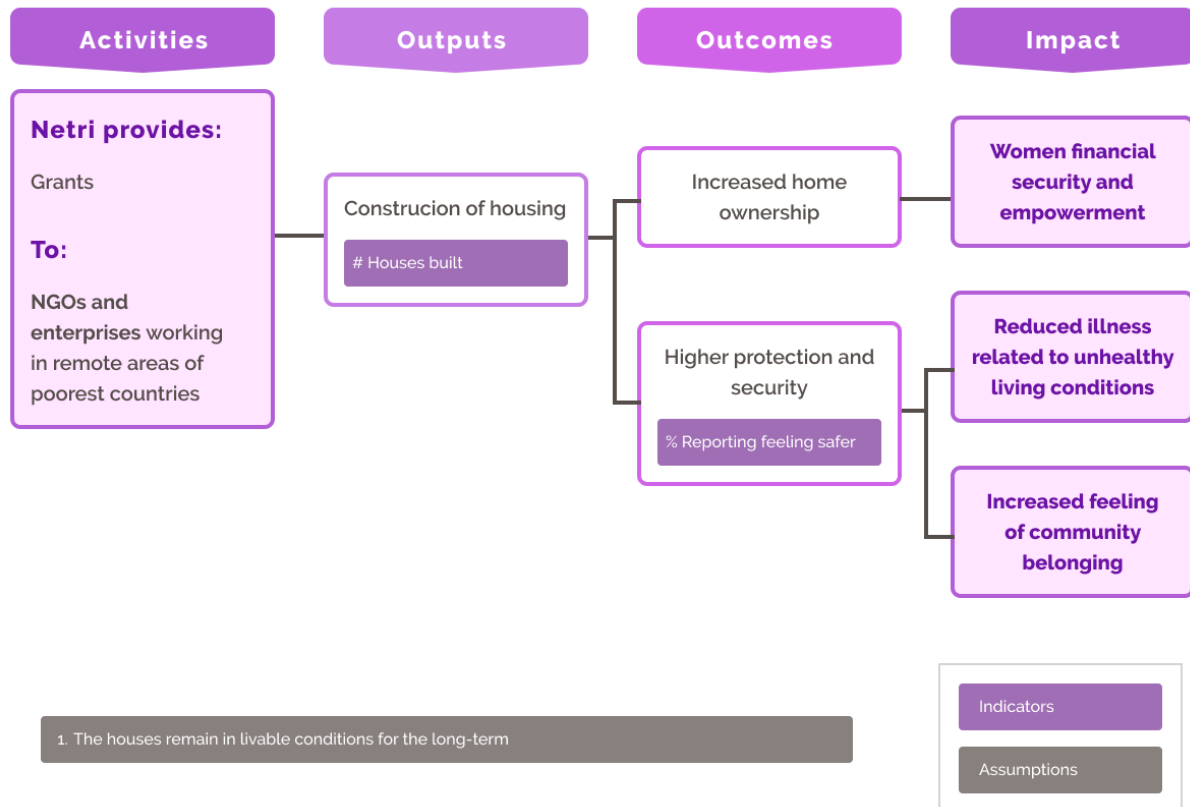
**Mission:** Increase most vulnerable populations' health by providing better access to clean water



Water well construction projects represent 15% of Netri's total grant programme. These projects have a clear and direct impact on end-beneficiaries as they directly benefit individuals living in rural parts of the poorest countries from increased clean water use, better clean water access and higher sanitation. Netri also focuses on working with partners that prioritise project maintenance and fully engage with local communities and governments in order to provide service continuity.

## h. Housing

**Mission:** Increase most vulnerable populations' dignity, health and security by providing housing



Netri provides grants to build houses in rural areas of India and represent 4% of the total donated amount. Similar to water projects, the impact is relatively strong as end-beneficiaries directly benefit from housing construction projects. They provide higher security, financial security and healthier living conditions particularly to women. In India, the deed of ownership of the houses were provided in the name of the women of the households so as to reduce their vulnerability.



# Impact Learning

## a. Key Impact takeaways

- As an organization aims to understand the depth of its impact, **Outcomes are considered key to measure**. Asking the “how do we know” question fills in the assumption gap, at least to a degree in which one is comfortable with
- Although developing the ToC across all sectors diluted the Foundation's Impact focus into 17 Long-Term Outcomes / Impact, they can be summarised into 3 (**Higher Income, Quality of Life, Wellbeing**) as they are ultimately Netri's impact objectives
- The impact of an organization that provides a product or service with limited choice of use is clearer and more direct. An example illustrating this thought can be financing an individual with agricultural inputs or with a loan from an MFI. While the first can only be used for the purpose of productivity gains, the latter provides financial cushion and options. Are more options synonymous with an improved quality of life? Should Netri classify different Impacts with a ranking? As suggested by the ToC, answering these questions first are crucial to best execute Netri's impact strategy and optimise impact.

## b. Recommendations

- Not being subject to external reporting requirements, Netri can focus on Impact Measurement & Management to optimize its impact and for the purpose of better decision-making
- Further IMM effort allocation should be directed towards Financial Inclusion and Access to Energy sectors
- Since Agriculture is impactful, target MFI working with clients involved in Agricultural activities? How does Symbiotics know if microloans are used for investment or consumption purposes?
- Generate dialogue with existing partners in the Education Sector such as T&C for Outcomes data and to explore Impact Measurement & Management innovations

- Discontinue impact metrics reporting: Co2e emissions avoided, \$ saved from Kerosene
- Not all indicators should be regularly reported. In several sectors, data on Outcomes indicators are less available and require further investigation, such as research or lean data analysis