

Impact objectives of the SANAD Fund for MSME

The fund's mission

is to finance micro, small, and medium enterprises and low-income households in the Middle East, North Africa, and selected countries in sub-Saharan Africa via qualified local lenders. SANAD thereby fosters economic development and job creation – including youth employment, agriculture, affordable housing, and innovations in finance and financial technologies.

In working towards its mission, the fund focuses its activities on specific target regions and groups:

1. Target regions: SANAD's activities focus on the regions that are challenged with economic insecurities and at the same time have substantial potential for economic growth. Overall, they exhibit a high need for investment that focuses on inclusive economic development, particularly providing opportunities to youth and women.

2. Target groups: The fund targets micro, small, and medium enterprises (MSMEs), including in the agricultural sector, as well as households with limited access to affordable housing. The local financial sector that serves MSMEs plays a key role in closing the fund gap, and thus also represents an important target group for SANAD.

Impact at a socio-economic level

In line with its mission, the fund aims for a positive contribution in the following impact areas:



Supporting income generation from self-employment & entrepreneurship

Foster the ability of MSMEs to start, maintain, and grow their business activities



Fostering employment stability & growth

Contribute to sustaining and creating jobs in MSMEs



Improving livelihoods

Support low-income households in improving their housing conditions and starting/consolidating a development pathway

Impact on financial systems

Core to SANAD's impact strategy is strengthening the ability of local financial institutions to provide much-needed financing to the fund's target groups. By strengthening financial intermediaries and helping them to enhance their MSME lending, the fund strives to increase access to finance at scale and in a sustainable manner. At the same time, it seeks to further the development of inclusive and responsible financial systems, ultimately benefiting economies at large. SANAD pursues these aims by extending debt and equity financing to local partners, such as microfinance institutions (MFIs), leasing companies, commercial banks, fintechs, and other financial intermediaries that share the fund's interest in serving the target groups. In addition, the fund supports the local financial sector in building its capacity to serve the needs of MSMEs, including in agriculture, and low-income households. Finally, SANAD's activities contribute to developing the wider ecosystem for economic development, such as the regulatory environment or support services for entrepreneurship.

Contribution to the SDGs

SANAD's activities have been mapped toward the Sustainable Development Goals (SDGs) at an SDG target level. Based on these, six have been selected as core SDGs:

SANAD contributes to...



...eradicating poverty by meeting the basic financing needs of MSMEs and low-income households.



...inclusive industrialization by upgrading small-scale enterprises through improved access to finance and innovative solutions.



...improving agricultural productivity and the livelihoods of small-scale food producers through secure and equal access to financial services.



...economic inclusion by sustaining and growing business income among marginalized entrepreneurs, such as women, youth, refugees, and rural populations.



...economic development and job creation by enabling entrepreneurs to grow businesses, especially young entrepreneurs and MSMEs in rural areas.

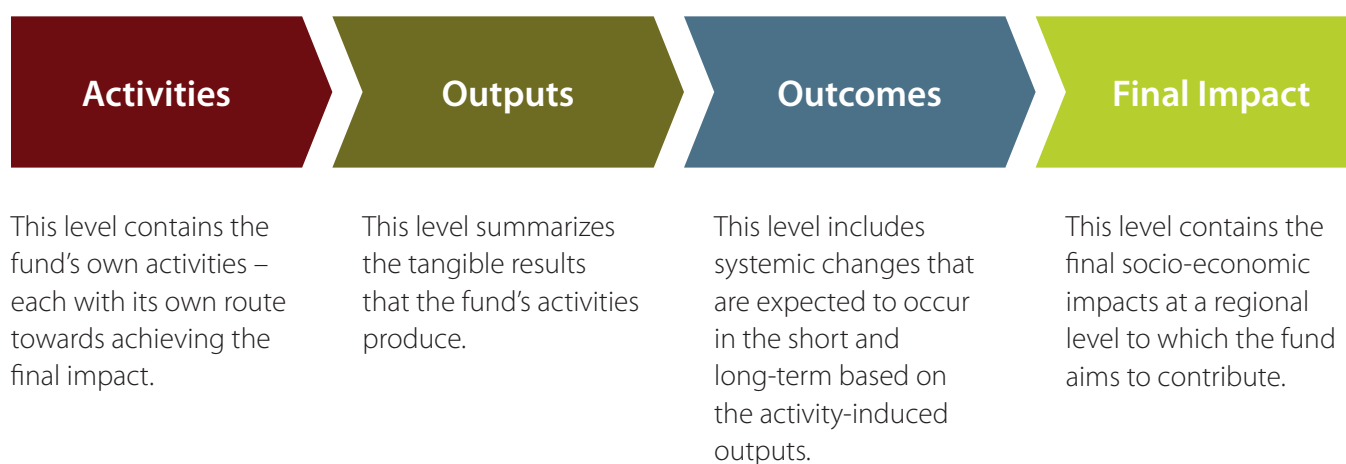


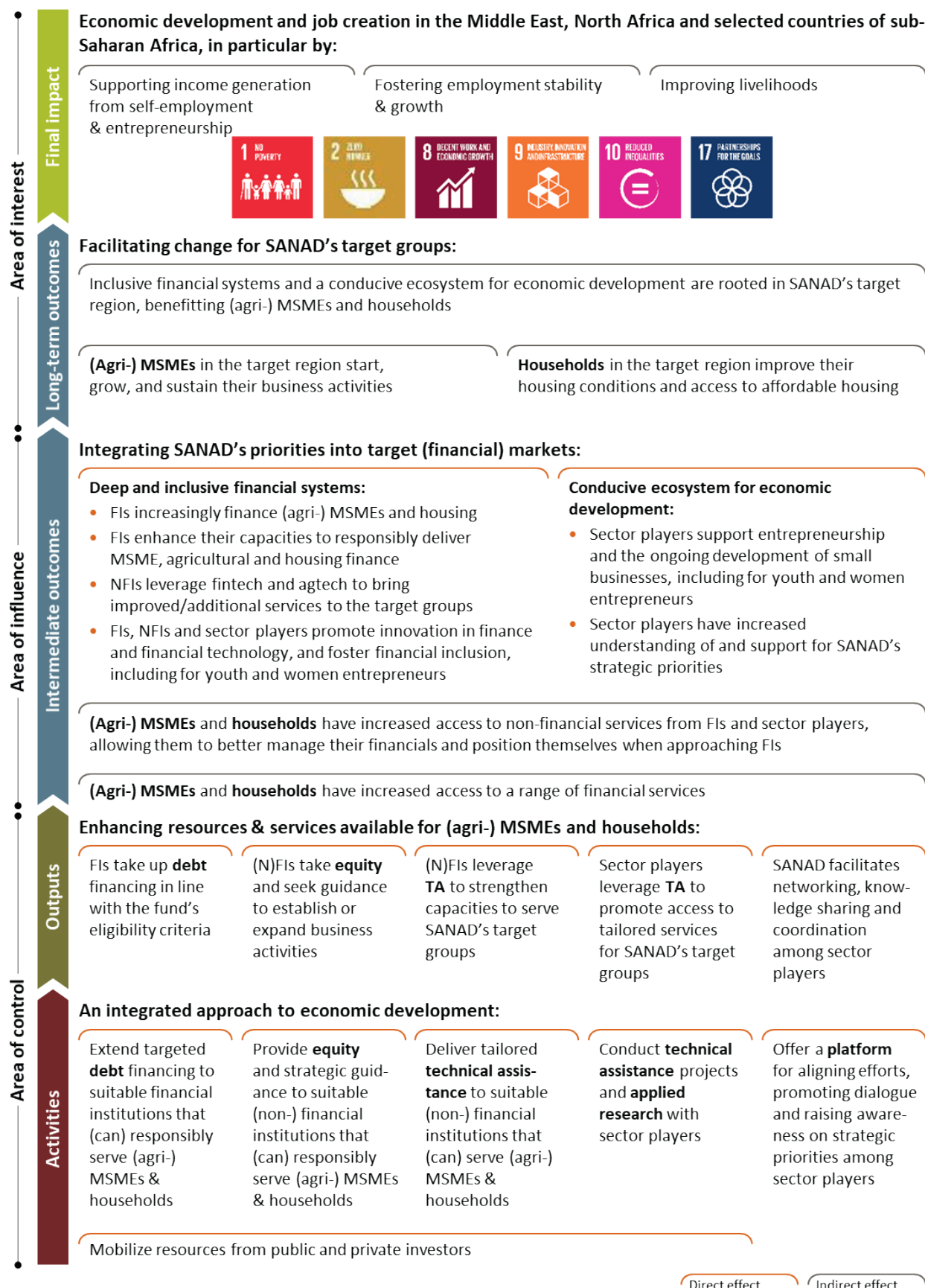
And as a blended finance fund, SANAD brings together public and private investors for sustainable development.

The path to impact: Theory of Change

The Theory of Change (ToC) demonstrates how the fund's activities are expected to result in fulfilling its mission as described above. The focus here is on the "in-between", the mapping of processes that SANAD's activities aim to trigger and how these ultimately lead to the intended impacts. These processes are interlinked and reinforce each other to drive transformation and systemic change in the market.

SANAD's ToC considers the following levels:





The ToC was constructed based on a causal analysis, drawing on available evidence, and is used to frame the fund's impact measurement and management efforts. Underlying assumptions are continuously verified through SANAD's impact assessment.

Elements outlined in the ToC can be, to a large extent, directly under the control of the fund or influenced by both the fund and external factors. This spectrum is indicated in the ToC as an "Area of control", "Area of influence", and "Area of interest".¹ Given the nature of the fund's work and the complex environments in which the fund's investees and stakeholders operate, SANAD does not attribute the change happening at an outcome and final impact level solely to its contributions. The ToC therefore defines how the fund contributes to causing the observed outcomes and final impacts.



¹ This distinction is often used in defining ToCs to differentiate between attribution and contribution.

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