



ADA

**Appui au
Développement
Autonome**

ADA in 2022-2025

**On the path towards sustainable
and innovative inclusive finance**

ada



ADA on course for 2025

In the coming years, ADA will use inclusive finance to contribute to the Sustainable Development Goals and to meet the needs of vulnerable populations.

For over 25 years, ADA has bolstered microfinance institutions and networks with a view to promoting financial inclusion. In the coming years, ADA will use **inclusive finance**, which remains its main area of expertise, to contribute to the **Sustainable Development Goals** and meet the needs of the following vulnerable populations in particular: **young entrepreneurs, family-run smallholdings and vulnerable households**. This new orientation fosters innovation and focuses on three main topics: **youth entrepreneurship, agricultural and forestry value chains**, and access to **basic services**; as well as three overarching targets: aspects related to **climate change, gender issues and the role of women**, and the use of **digital technologies**. The NGO's shift in focus will result in collaborations with new types of stakeholders in addition to microfinance institutions.

AT THE OPERATIONAL LEVEL

At the operational level, ADA will combine **technical assistance programme** management and implementation, **investment advice for Iford**

(Investing for Development), **knowledge management**, and **communication**. These activities will mainly be carried out in five countries: **Senegal, Burkina Faso, Laos, Cambodia and Guatemala**. However, other countries will also be considered, especially if they offer impact investment opportunities in connection with the Luxembourg Microfinance and Development Fund (LMDF).

As for its organisation, the association has a team of **40 to 50 employees plus around ten technical advisers** in the field. The 2022–2025 budget is estimated at **63 million euros**, ranging from 14 to 17 million euros a year. **59% of the funds come from the Luxembourgish Directorate for Development Cooperation and Humanitarian Affairs** and the remaining 41% from other public and private sources. Expenditure directly related to development activities makes up 92% of the total, leaving 8% of the budget to cover administrative expenses. ■

Overview of ADA's theory of change

WHO WILL BENEFIT?

Young entrepreneurs
Smallholders, Family-run farms
Vulnerable households

HOW?

Activities in key sectors

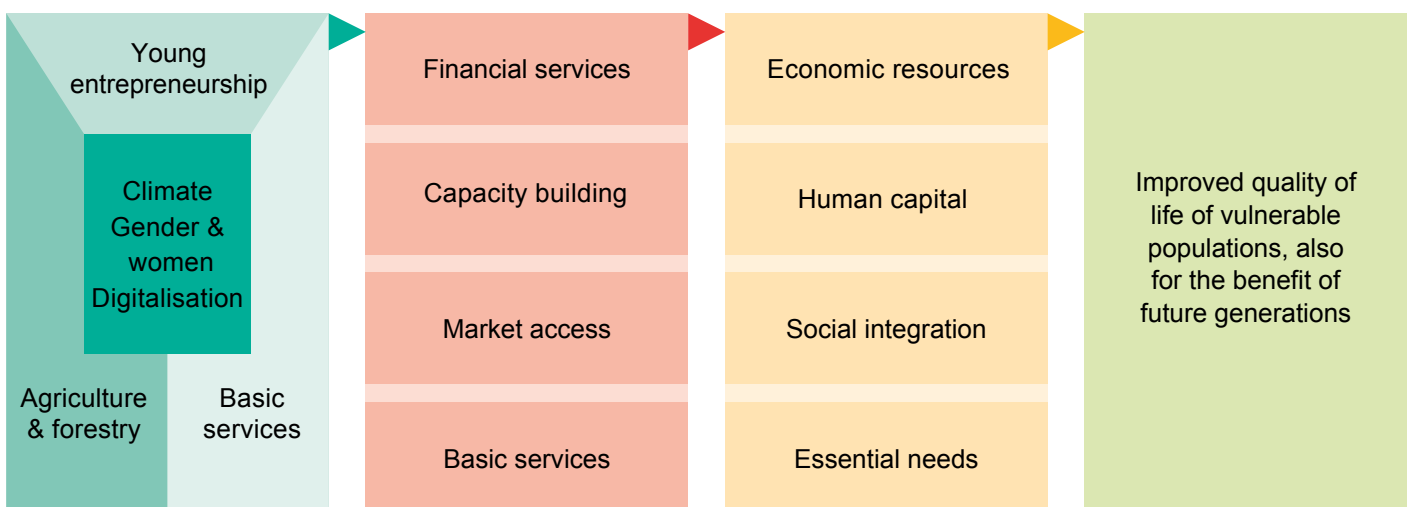
WHAT?

Expected results

WHY?

Short- and medium-term effect

Long-term impact





Trends in the international development sector

The Sustainable Development Goals (SDGs) are the common benchmark that guides cooperation efforts at the international level. Against this backdrop, development stakeholders are paying increasing attention to certain topics. Climate change is a major concern and a threat to humanity as a whole, but especially to the most vulnerable populations. Inclusion is another important topic, whether it is in relation to poverty, to minorities or to migration. Resilience is also a crucial component, particularly in the context of the current pandemic.

INNOVATION IS KEY

Faced with these challenges, innovation is key to enabling the emergence of solutions tailored to the needs of vulnerable populations. In particular, digital technologies offer opportunities when it comes to extending the reach of certain development initiatives. From a funding perspective, both the Addis Ababa Action Agenda defined in 2015, and

the SDGs with a 2030 horizon stress the need to diversify sources of funding for development. Beyond official development assistance, fuelled by the contributions of states to bilateral and multilateral development programmes, the Organisation for Economic Co-operation and Development (OECD) emphasises the growing role of the private sector. The concepts of 'blended finance'¹ and 'impact investment'² turn the private sector into a de facto funder of development work. Multiple experiences have demonstrated the benefits of tapping funds from public and private sources and of combining subsidies and donations with investments to leverage them for development funding. ■

Challenges

According to the Sustainable Development Goals Report 2020 (the most recent one), despite the advances made in several areas, such as maternal health and women's representation in politics, current efforts are falling short of the 2030 targets. In particular, increased food insecurity, environmental degradation and persistent inequalities remain major challenges that offset the progress made so far.

Global poverty increased in 2020 for the first time since 1998.

On top of these ongoing difficulties, the COVID-19 pandemic threw another spanner in the works of the Sustainable Development Goals: in particular, global poverty rose in 2020 for the first time since 1998. The reasons behind this reversal were job and income losses - the brunt of which fell on workers in the informal economy -, the lack of social protection and an even more restricted access to basic services for households that were already in a precarious situation, especially access to adequate housing, drinking water and sanitation, healthcare, and even food.

Finally, climate change continues to accelerate. The decade spanning 2010 to 2019 was the hottest on record. In addition to rising temperatures, the

growing frequency and intensity of extreme weather events, rising sea levels and land degradation affect ecosystems and constitute a threat to human lives and activities. While no region is safe, the least developed countries are the most exposed to extreme events and, at the same time, the least prepared to deal with them.

BUILDING UP RESILIENCE: A MAJOR CHALLENGE

All in all, the multiplication of risks, potential shocks and the increasing scale of their consequences appear to be the major challenge that populations - especially the most vulnerable ones - face in the coming years. One of the main issues at stake in development is therefore building up the resilience of populations; in other words, boosting their ability to absorb shocks, adapt to changing conditions and bring about more far-reaching transformations that will reduce risks in the long term. ■

Strengthened strategic foundations

In line with ADA's vision to "be a catalyst for the creation, identification, development and implementation of solutions that facilitate inclusive development", the formation of new goals is an opportunity for the association to consolidate certain strategic foundations set out below.

A HOLISTIC AND CLIENT-CENTRIC APPROACH

In line with its vision and mission, ADA intends to leverage its past experience to reinforce its holistic and client-centric approach. It is not just about designing and implementing projects based on a **thorough examination of the needs of the target populations**, but also about **looking at those needs from a holistic perspective** (food, health, housing, education, income, protection against shocks, etc.) to fully grasp the multifaceted nature of poverty. From this point of view, financial inclusion through access to tailored financial services and, even more importantly, their use, should be seen as a tool to better meet the needs of the target populations.

For ADA, this holistic and client-centred approach will usher in a **sea change in the types of partners** with which it works. It will no longer restrict itself to financial service providers such as microfinance institutions, banks or insurance companies, as has often been the case in the past. Instead, it will also team up with other stakeholders, such as processing and marketing small and medium-sized enterprises (SMEs), incubators, fintech companies, etc.

THE INNOVATION DYNAMIC

ADA stands out for its ability to support cutting-edge financial inclusion solutions. This dynamic got a shot in the arm in 2019 with the inception of the thematic Innovation Labs, which provide a collaborative framework to facilitate the emergence of pioneering concepts and projects that innovate in terms of the type of solution on offer, the distribution method, or harnessing digital technologies that make it possible to better meet the needs of the target populations. This ambition to foster innovation will get another boost in the coming years thanks to our prospecting for new development solutions and partners, as well as test projects that will drive the identification and formulation of new programmes.

KNOWLEDGE MANAGEMENT AND SHARING EXPERIENCES

ADA has vigorously developed its knowledge management tools and methods over the last few years. For example, defining and monitoring specific indicators, conducting in-house or external systematic assessments, and surveying beneficiaries makes it possible **to measure the impact of the activities carried out as part of the projects**. More broadly, gaining and creating knowledge through exchanges with other stakeholders or from studies allows ADA to continuously expand and capitalise on its knowledge. This approach will be further developed in the future, with added emphasis on information sharing activities to enable other development stakeholders to benefit even more from ADA's experience.



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DIVERSIFICATION OF SOURCES OF FINANCING

Thanks to its long-running partnership with the Luxembourgish Directorate for Development Cooperation and Humanitarian Affairs, ADA receives multiannual funding from the MFEA, which ensures the flexibility and continuity of ADA's projects, thereby enabling innovation and providing support for long-term projects. In addition to this strategic source of funding, ADA will tap complementary sources of funding, allowing certain projects to exert a leverage effect. Partnerships have already been struck with public funders such as the European Investment Bank (EIB), the International Fund for Agricultural Development (IFAD), the Food and Agriculture Organisation (FAO) and Switzerland's international cooperation, as well as private funders such as the Luxembourgish Rotary Clubs and the Belgian Raiffeisen Foundation. The diversification of sources of funding will continue in the future, including by increasing the contributions of participants in events organised by ADA and by developing the 'Donate to Invest'³ concept. ■

Financial inclusion through access to tailored financial services and, even more importantly, their use, should be seen as a tool to better meet the needs of target populations.

Justification and rationale for intervention

TARGET POPULATION

As a stakeholder fighting for inclusive development, ADA's actions target vulnerable populations, i.e. people exposed to risks, which have a tendency to multiply. These risks can affect entire social groups due to their socioeconomic (least developed countries, lack of infrastructure) or geographic contexts (areas with a challenging climate), but also individuals due to their specific characteristics (age, gender) or past (migration). Vulnerable populations are not necessarily poor or excluded, but they could end up in these situations if hit by shocks or unexpected events.

In light of the major vulnerabilities that come with limited access to basic services, the absence of job opportunities and economic resources, and the extreme lack of preparedness for climate change, especially in rural areas that depend on agriculture, the main target groups of ADA's actions in developing countries will be the following:

- **vulnerable households**, particularly those with restricted access to basic services;
- **young entrepreneurs**, men and women, who face even higher barriers to their entry in the job market and socio-professional insertion;
- **family-run smallholdings** and the other stakeholders in agricultural and forestry value chains exposed to climate risks and economic insecurity, which play a key role in strengthening food security.

It is worth noting that gender issues will be systematically taken into account for each of these three target groups.

INTENDED IMPACT

As its name (Appui au développement autonome, *Support for Autonomous Development*) suggests, ADA's actions do not merely aim to improve the living conditions of vulnerable populations, but also to enable them to choose and implement strategies to improve their living conditions by themselves. In other words, ADA aspires to empower populations to reduce their vulnerability; not because it is their fault, as the causes of vulnerability are often external, but because they are in a prime position to come up with the best solutions.

Furthermore, current lifestyles have long-term consequences, so ADA also strives to make sure that the strategies chosen and implemented by vulnerable populations today do not come at the expense of the living conditions of the generations of tomorrow, thus contributing to sustainable development.

Therefore, the goal of ADA's actions is to build the 'capacity'⁴ of vulnerable populations, i.e. to make their ability to choose and implement these strategies effective.

INTENDED EFFECTS

Certain conditions have to be fulfilled to achieve this objective. To be in a position to build their capacity, ADA's target groups first need to access, use and develop several types of resources. Specifically, these groups need to:

- meet their **vital needs** (food, housing, clothing, etc.), especially in the case of vulnerable households in the least developed countries;
- build their **human capital**, i.e. their knowledge and skill base, and **social capital**, i.e. their integration into the economic communities and fabric, particularly for target groups of active



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populations such as young male and female entrepreneurs and the stakeholders in agricultural and forestry value chains; and

- secure and diversify their **economic resources**, whether in the form of income or in the form of tangible or intangible assets, for all target groups.

These conditions are the changes that ADA wants to help bring about or the intended effects of its actions vis-à-vis its target groups. It goes without saying that these effects are interdependent: for example, building human and social capital helps to secure and even increase the economic resources of active populations by enabling them to develop their sources of revenue or to manage them more effectively.

ADA does not merely aim to improve the living conditions of vulnerable populations, but also to enable them to choose and implement strategies to improve their living conditions by themselves.

Other necessary conditions for capacity building have more to do with the contexts in which the target populations and their communities lead their lives. They are a second level of change to which ADA wishes to contribute or an intended effect of its actions:

- inclusive **economic and social development** that benefits everyone (especially the most vulnerable, such as young people, women and rural populations) and creates jobs; and

- the adoption of **practices that are environmentally friendly**, resilient to climate change (i.e. they encourage adaptation to change) and consistent with a development model with low greenhouse gas emissions (thus helping to mitigate climate change locally), which are essential to sustainable development that does not impinge on the living conditions of future generations.

These intended second-level effects will not only benefit the groups directly targeted by ADA's actions. They will also have a broader impact on present and future communities in the contexts of these actions.

Once again, these two levels of change are interdependent: building the technical and management skills of farmers can lead them to

adopt sustainable and resilient practices that will benefit their communities, while making young entrepreneurs' economic resources more secure and diverse and building their management skills will help them to create new jobs. This means that target groups can also be local drivers of change.

EXPECTED RESULTS

In order to take these changes from the drawing board to implementation, ADA will build upon its past experience in taking a holistic and client-centric approach: it is not just about focusing actions on meeting the needs of the target populations, but also about looking at those needs from a holistic perspective (food, health, housing, education and human capital, protection against shocks, economic resources, inclusion, etc.).

In the same vein, **financial inclusion** through access to and, even more importantly, the use of a variety of financial services (loans, savings, insurance, means of payment, etc.) **will remain at the heart of ADA's actions** and are the main expected results for all target groups.

However, financial inclusion is not an end to itself, so **access to and the use of other types of services** in addition to financial services are **also necessary** to achieve the desired effects.



Financial inclusion through access to and, even more importantly, the use of a variety of financial services (loans, savings, insurance, means of payment, etc.) will remain at the heart of ADA's actions.

For ADA, taking a holistic approach therefore means implementing actions that also strive to promote access to and the use of basic services (power, water, sanitation, housing, healthcare, education, etc.) for households, on the one hand, and technical and entrepreneurial capacity building services (training, mentoring, coaching) and information and market access solutions (digital platforms providing access to information and transactions, specific contractual relations) for the active population target groups, on the other hand.

These different types of services can only be accessible and used if they are tailored to the needs of these target groups, affordable and sustainable - in the sense that they should be offered by local providers that are financially and institutionally viable and compatible with environmental protection, adaptation to climate change and, where applicable, mitigation of climate change.

In order to foster the development and provision of these different types of services and solutions, ADA needs to ensure a favourable political and regulatory environment. Where appropriate, ADA could even support certain actions to make the regulatory framework more favourable to financial inclusion.

ACTIVITIES TO BE IMPLEMENTED

To attain these results, ADA's actions will focus on main topics to meet the challenges faced by the identified target groups:

- youth entrepreneurship
- strengthening agricultural and forestry value chains
- access to basic services.

Along these three lines of action, ADA will continue and reinforce the dynamics set in motion in recent years. In particular, the goal is to implement a holistic approach through the identification and recruitment of different types of partners, which will not be limited to financial service providers, but will also include non-financial stakeholders such as processing or marketing SMEs, incubators, training centres, basic service providers, digital solution providers, etc. To be able to offer a combination of services and solutions that meet the various needs of the target populations, ADA will seek to facilitate partnerships between the different types of stakeholders.

The next step will be to assist these stakeholders in designing, developing or marketing integrated and innovative solutions that meet the needs of the target populations. This support will take the shape of technical assistance projects in which ADA will intervene as a provider of expertise and advice, as a catalyst or as a project manager.

In order to boost the viability of these stakeholders and their ability to broaden their scope, ADA will also serve as a bridge between them and investors.

These investors could include those with which ties have already been forged in existing projects, such as the Smallholder Safety Net Upscaling Programme (SSNUP), as well as Investing for Development (Iford), with its Luxembourg Microfinance and Development Fund (LMDF) and Forestry and Climate Change Fund (FCCF), the new innovation funding instrument that will see the light of day in the coming years, not to mention other impact funds, particularly those that focus on initiatives to mitigate and/or adapt to the effects of climate change.

At the sector level, ADA will assist institutional stakeholders in certain countries in defining and/or implementing their financial inclusion

strategies. More generally, ADA will also carry out knowledge management, communication and information sharing activities to further the exchange of experiences. Among other things, it will publish studies and hold events such as the African Microfinance Week (SAM), the *Midis de la microfinance* and training in agricultural and rural finance (ARF). These studies and events will draw upon the assessment, impact measurement and capitalisation activities carried out by ADA or other key players in the sector.

TECHNICAL AND FINANCIAL RESOURCES TO BE DEPLOYED

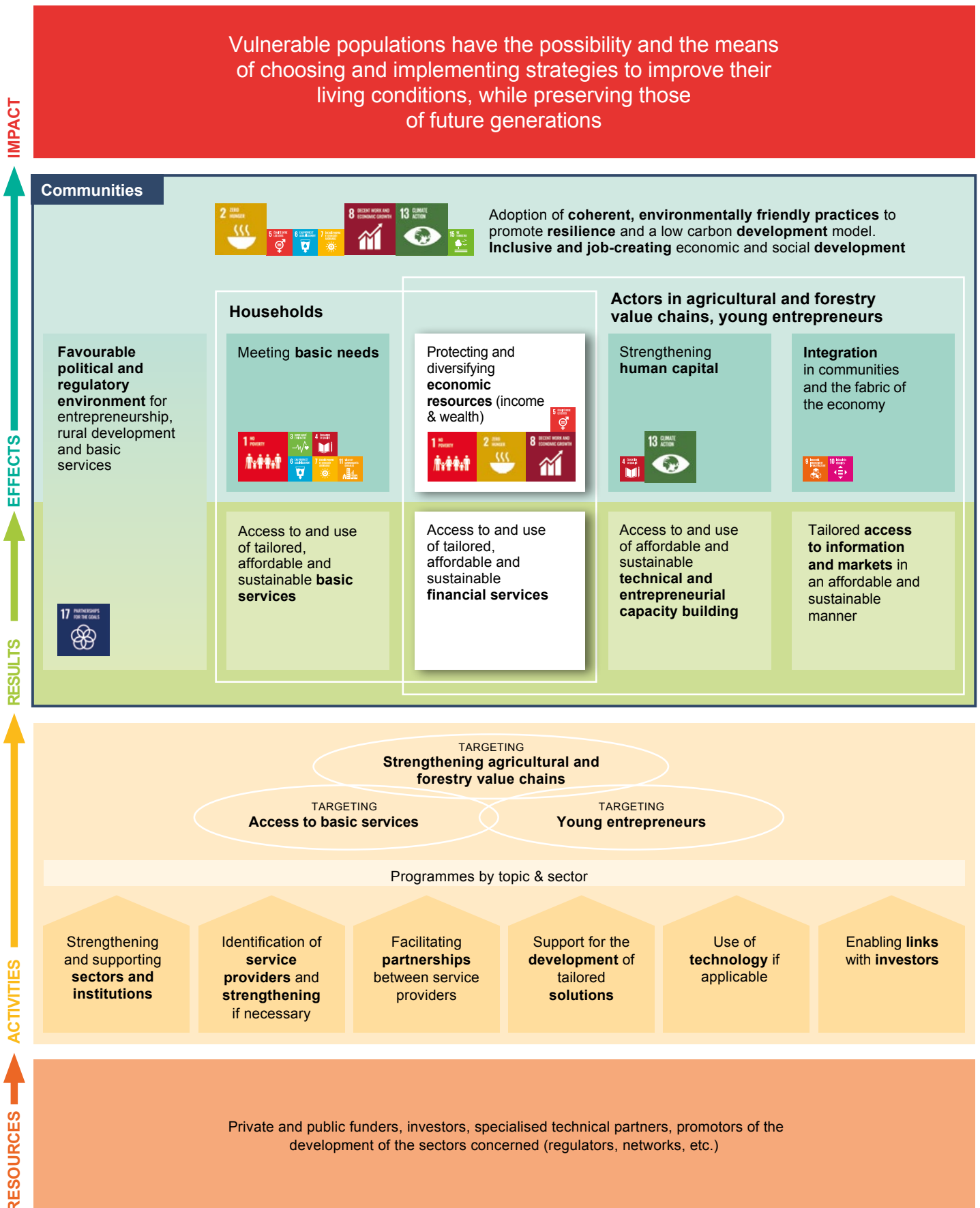
The implementation of this rationale for intervention will require ADA to call upon technical partners that can add their expertise to specific matters, thereby supplementing ADA's know-how in the development of financial services. Emphasis will be placed on mobilising local stakeholders to ensure the viability of the initiatives set in motion and to contribute to stronger and more dynamic local ecosystems. Furthermore - still in accordance with the desire to have local stakeholders make the projects their own, as well as to expand the potential reach of the actions - networks, professional associations and institutional stakeholders will also be allowed to come on board as partners. In such cases, the goal will not be to focus actions on capacity building, but to nurture the offer and development of solutions tailored to the needs of the target populations on a larger scale through these partners.

Local stakeholders will be mobilised to ensure the viability of initiatives and to contribute to stronger and more dynamic local ecosystems.

In addition to the resources from the MFEA, other public funders will be approached proactively regarding projects that match their thematic and geographic priorities. ADA will also participate in selected calls for proposals that are in line with its objectives. Private funding will also be tapped to supplement, leverage or support riskier, innovative initiatives through foundations or the 'Donate to Invest' concept.

ADA's rationale for intervention and the Sustainable Development Goals to which it will contribute are set out in the diagram on the following page. ■

ADA'S THEORY OF CHANGE



LINKS WITH THE SUSTAINABLE DEVELOPMENT GOALS

By following this rationale for intervention, ADA will be contributing to several SDGs; some in a more significant way, in accordance with the chosen objectives and intervention methods, and others in a more indirect way.



By targeting family-run smallholdings and the other stakeholders in the agricultural and forestry value chains to help them to secure and diversify their economic resources, promoting the adoption of practices that are environmentally friendly and have low greenhouse gas emissions, not just in this target group, but also in the others, and supporting the development of sustainable solutions, ADA will contribute to SDG 2, particularly the targets concerning reducing food insecurity (2.1), improving the agricultural productivity and income of small-scale producers (2.3) and the adoption of productive, sustainable and resilient practices (2.4), as well as SDG 13, particularly the targets concerning resilience and adaptive capacity to climate change (13.1) and raising awareness of climate change (13.3).



By striving to help vulnerable populations to secure and diversify their economic resources through access to and the use of adapted and sustainable financial services, contributing to economic development that creates jobs, and targeting young entrepreneurs, ADA will contribute to SDG 1, particularly the targets concerning poverty reduction (1.1), access to economic resources and financial services (1.4) and building the resilience of vulnerable people (1.5), as well as SDG 8, particularly the targets concerning economic development and support for entrepreneurship and job growth (8.3), access to a decent job and wage (8.5) and strengthening the capacity of financial institutions (8.10).



Finally, by facilitating collaboration between different types of actors, ties with investors, public-private partnerships and the reinforcement of institutional stakeholders, ADA will also contribute to SDG 17, particularly the targets concerning facilitating investment (17.3 and 17.5), capacity building in sectoral or national plans in developing countries (17.9) and promoting partnerships (17.17).



ADA will also contribute to the following SDGs in a more indirect way, in the sense that, while these SDGs do not lie at the heart of its goals or intervention methods, certain aspects of the rationale for intervention will benefit the SDGs. In this line, by developing financing solutions to access basic services to meet the vital needs of vulnerable populations, ADA will contribute to SDG 3 (good health and well-being), SDG 4 (quality education), SDG 6 (clean water and sanitation), SDG 7 (affordable and clean energy) and SDG 11 (sustainable cities and communities, whose first target is about upgrading housing).

By fighting to improve the technical and entrepreneurial skills of young entrepreneurs, both men and women, and by striving to facilitate their access to financial services and markets and to promote their social and economic integration, ADA will contribute to SDG 4 (quality education), SDG 9 (industry, innovation and infrastructures, which has a target concerning the access of small businesses to financial services and their integration into value chains) and SDG 10 (reduced inequality, which has a target concerning the social and economic inclusion of all social groups).



By taking gender issues into account across the board through its activities concerning the three main topics, ADA will contribute to SDG 5 (gender equality).

Finally, by promoting practices that are environmentally friendly and resilient among stakeholders in agricultural and forestry value chains, ADA will also contribute to SDG 15 (life on land, with targets concerning sustainable forest management, combating desertification and halting and reversing land degradation). ■

Thematic orientations

DEVELOPMENT OF THE THREE MAIN TOPICS

ADA's long-standing area of expertise, the development of solutions that promote inclusion, will remain the guiding principle of the association's projects and programmes. However, based on the needs of the target populations, ADA has identified three main topics for its projects: youth entrepreneurship, agricultural and forestry value chains and access to basic services. For each main topic, a theory of change and the central threads of the associated programmes are described below.

For ADA, this holistic and client-centred approach will usher in a sea change in the types of partners with which it works. It will no longer restrict itself to financial service providers such as microfinance institutions, banks or insurance companies, as has often been the case in the past. Instead, it will also team up with other stakeholders, such as processing and marketing small and medium-sized enterprises (SMEs), incubators, fintech companies, etc.



Youth entrepreneurship

Background and needs

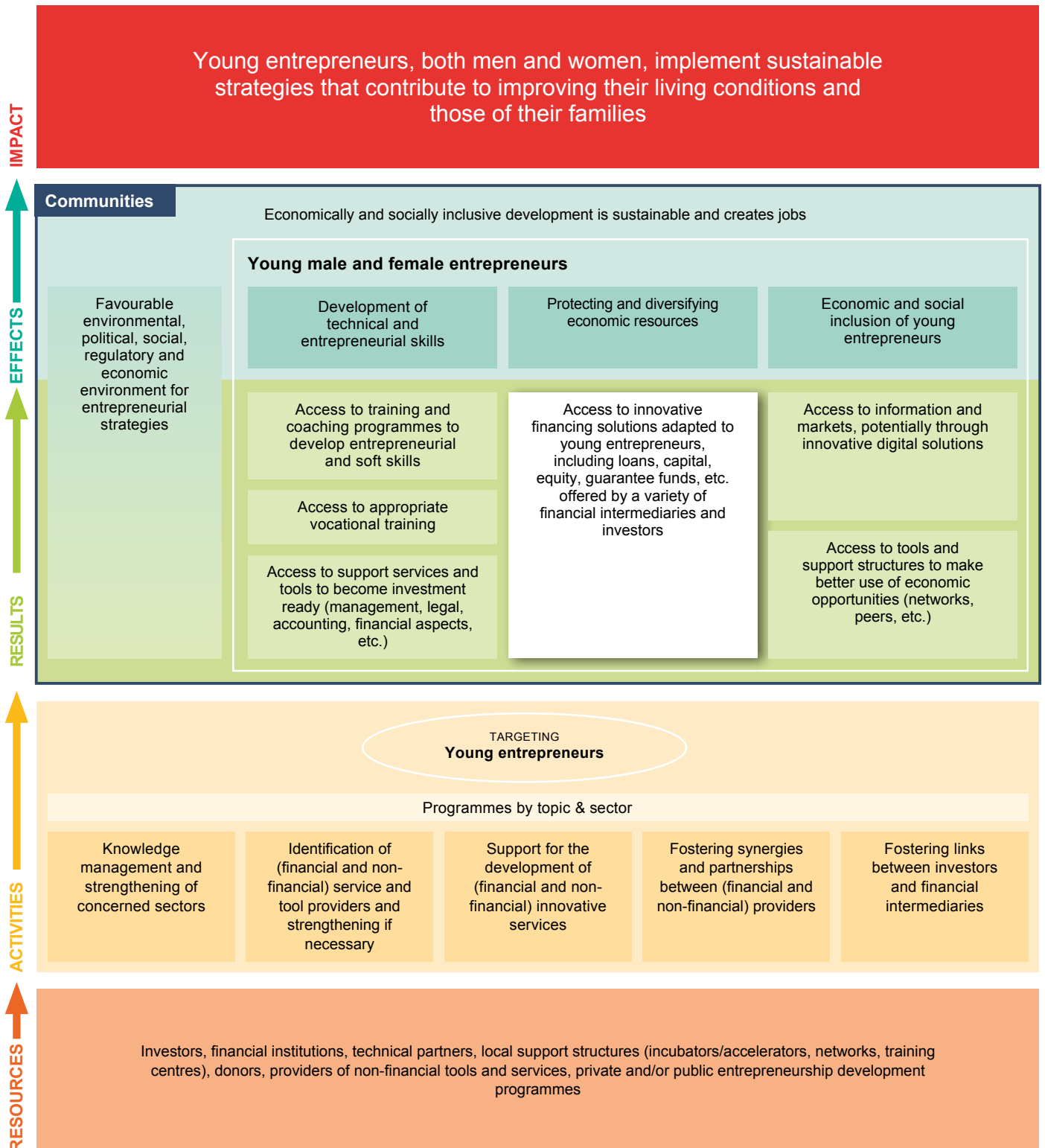
According to the United Nations, one in five young people in the world are neither in employment nor in education or training;⁶ in other words, they are gaining no professional experience, earning no wages and acquiring no new knowledge. Faced with this situation, it is crucial to encourage youth entrepreneurship, knowing that micro-, small and medium-sized enterprises generate 70% of all jobs on average. Several obstacles have to be overcome to achieve this objective, particularly the following: limited access to financing, the lack of skills and management tools, and restricted market access.

Planned programmes

Building on a portfolio of pilot projects that will make it possible to identify and, at the same time, test certain innovative solutions,⁷ as well as on partners that specialise in assisting young entrepreneurs, programmes will be planned in the following areas:

- development of innovative financial services such as revenue-based funding,⁸ guarantees and medium-term loans tailored to the needs of young entrepreneurs;
- support for young entrepreneurs in the formal and informal economies through training, coaching and tools to hone their entrepreneurial and management skills and facilitate their access to the market;
- digital solutions to promote youth entrepreneurship (training, management tools, market access, access to financing, etc.).

Youth entrepreneurship theory of change



Agricultural and forestry value chains

Background and needs

In 2019, the Committee on World Food Security (CFS) of the United Nations stressed that most of the 600 million farms around the globe are smallholdings and that smallholders are responsible for up to 80% of the food produced in Asia and Sub-Saharan Africa. Agriculture remains the poor cousin of financial institutions despite multiple agricultural financing programmes. Yet numerous examples show the impact of actions that combine producer capacity building for technical and management skills with access to quality inputs, tailored financing and market access.

This value chain approach must be placed at the centre of the development of agricultural finance with a smart use of innovations, including digitalisation.

It is also essential to take issues related to climate change into consideration, particularly through the promotion of climate-smart agricultural practices, with a view to boosting the resilience of smallholders to the consequences of climate change and helping to mitigate them, especially in forestry.



Planned programmes

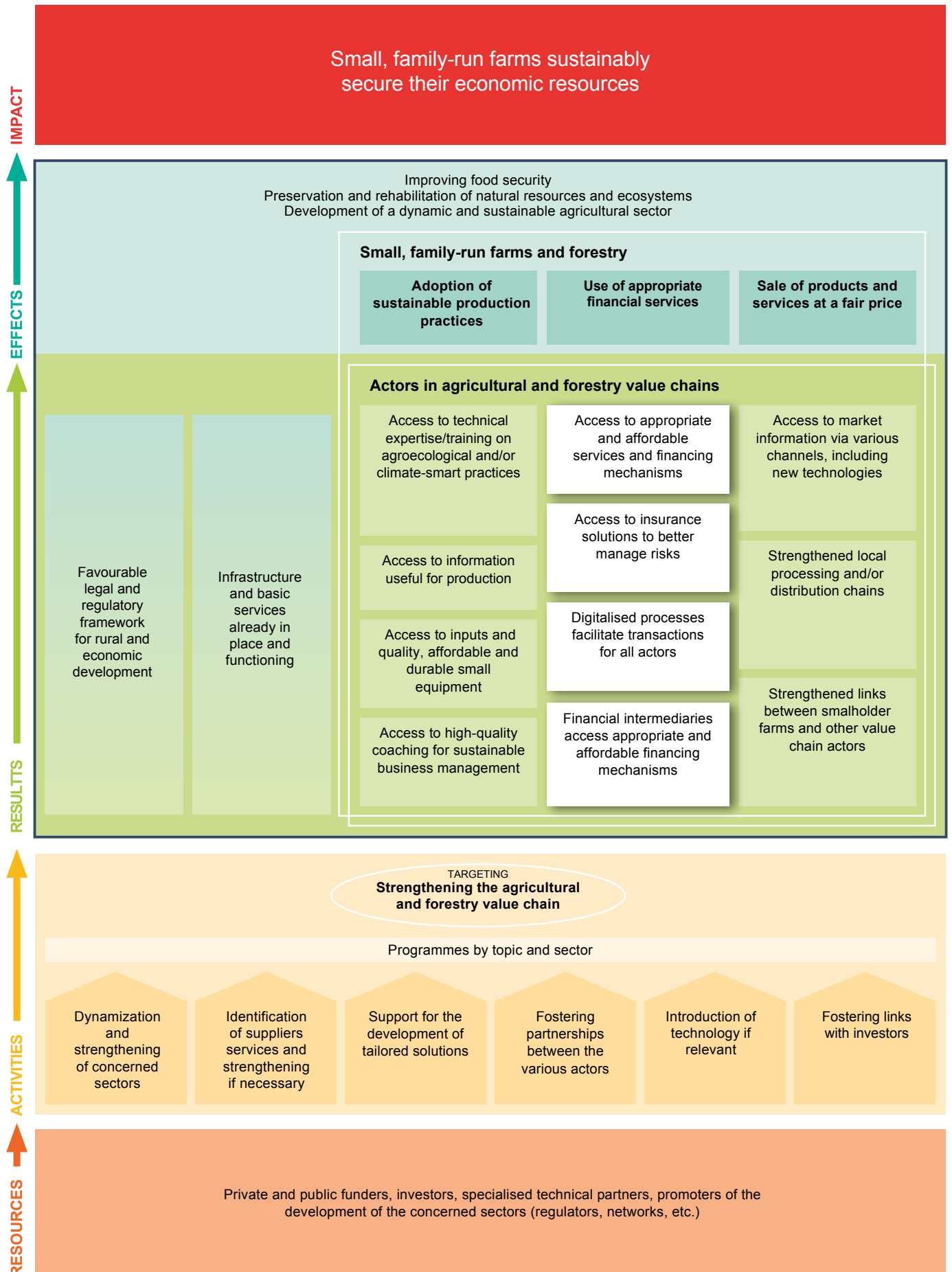
Building on a portfolio of test projects that will make it possible to identify and, at the same time, test certain innovative solutions, as well as partners that specialise in supporting agricultural and forestry value chains, programmes will be planned in the following areas:

- structuring (strengthening, financing and risk management) agricultural and forestry value chains upstream and downstream from production (processing and marketing) for the benefit of family-run smallholdings, sometimes targeting young people in particular;
- promotion of digital platforms that foster relationships between stakeholders in agricultural and forestry value chains to facilitate the access of family-run smallholdings to inputs, financing, markets and information; and
- boosting investment in agricultural and forestry value chains.

In addition to developing inclusive financial services and bolstering the risk management capabilities of agricultural and forestry value chains, which lie at the heart of ADA's expertise, these programmes will strive to promote agro-ecological or climate-smart production techniques, improve the supply of inputs, strengthen the processing stages and facilitate partnerships that promote market access (also at the local level) with the assistance of specialised technical partners.

Digitalisation will also be promoted at every stage of the targeted value chains.

Agricultural and forestry value chains theory of change



Access to basic services

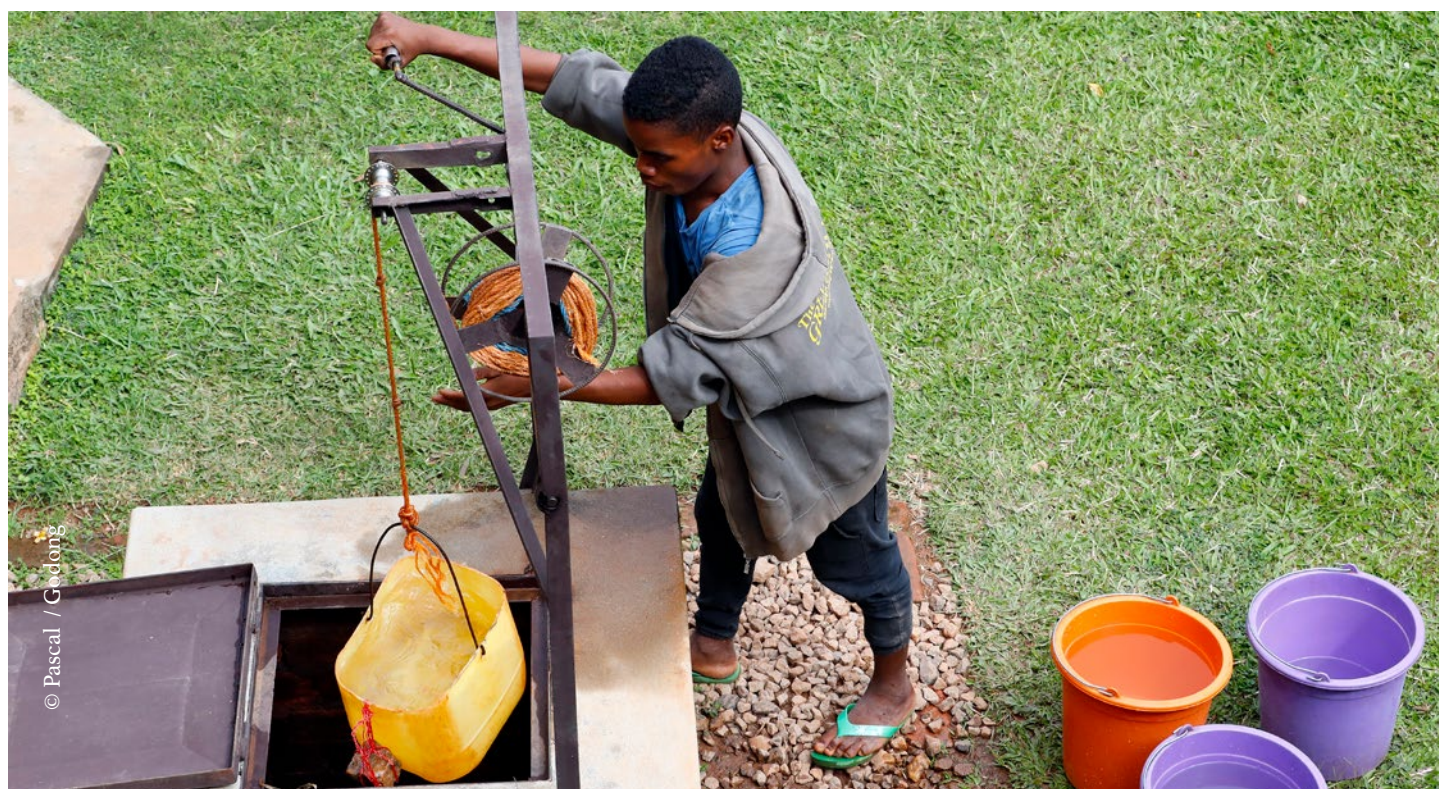
Background and needs

Although it is a *conditio sine qua non* to guarantee well-being, providing relevant, accessible and affordable basic services to vulnerable populations remains a challenge in numerous countries. Past experiences have shown the interdependence of essential services when it comes to their impact on development, as well as the importance of taking an integrated/multitargeted approach. Among other things, the aim is to see how inclusive financial services can facilitate access to basic services for vulnerable people without diminishing the role of public services in this area. At any rate, it is essential to take the national context into account (infrastructure, national policies, etc.) and to choose the right service providers and partnership models to maximise the likelihood of maintaining the offer of basic services in the long term while guaranteeing adequate access for vulnerable populations. Client awareness-raising and training are also key elements that need to be integrated into the planned actions.

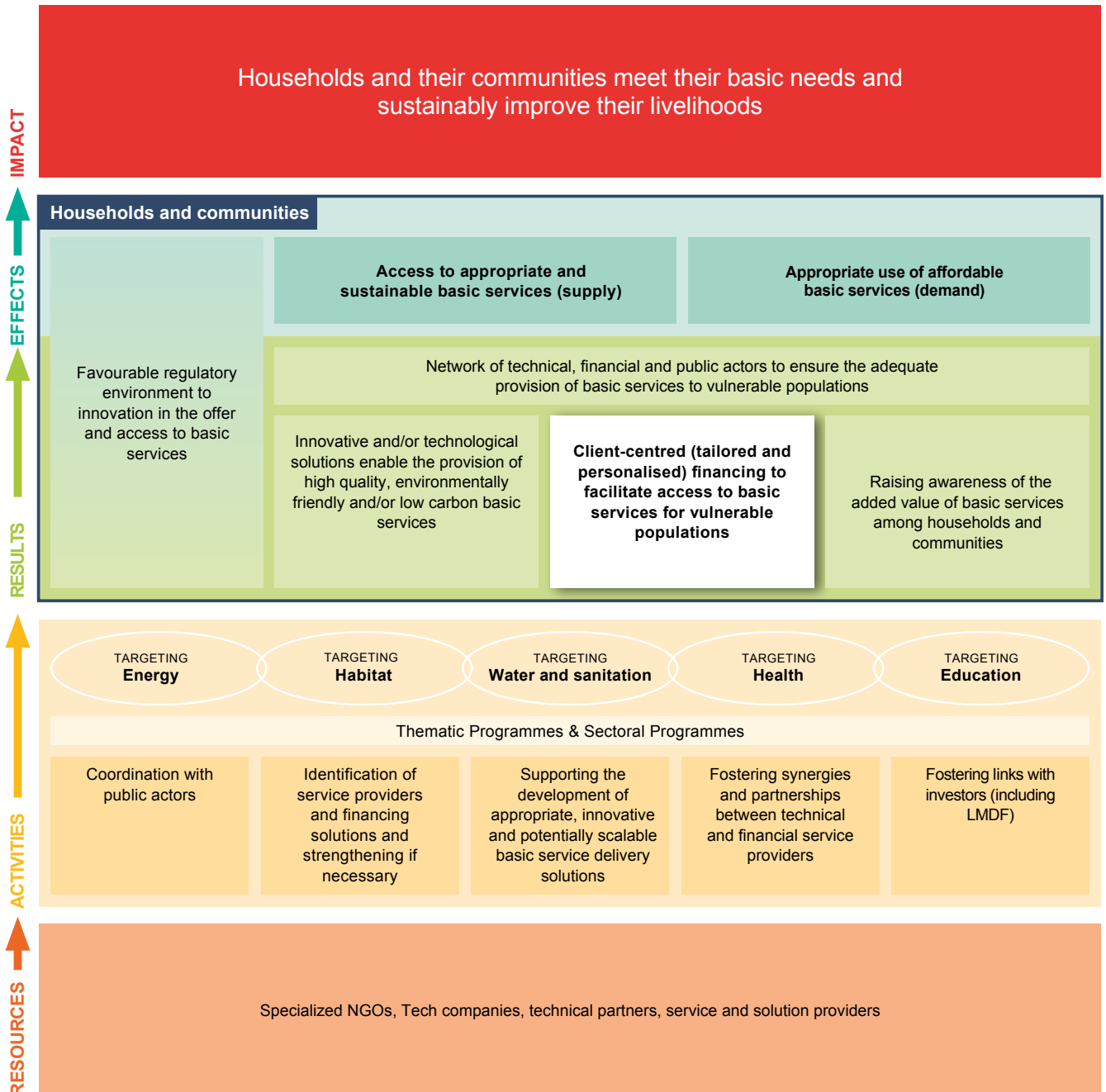
Planned programmes

Building on a portfolio of test projects that will make it possible to identify and, at the same time, test certain innovative solutions, plus partners who specialise in access to basic services, programmes will be planned in the following areas:

- facilitating access to energy, healthcare, housing, water/sanitation and education with a sustainable approach based on entrepreneurship and taking into account issues related to climate change;
- the design of these programmes will pay special attention to checking the relevance of the planned technical solutions, identifying specialised partners (technical solution providers, specialised NGOs, MFIs, tech businesses, etc.), ensuring that the supported solutions can give rise to viable, replicable and innovative business models, and working with partners with deep roots in their area of intervention, which are connected to an ecosystem (with access to the market).



Access to basic services theory of change



OVERARCHING TARGETS

Three overarching targets are taken into account in all planned programmes. Their prominence varies from one scenario to the next. These targets are aspects related to **climate change, gender issues and the role of women, and the use of digital technologies.**

Aspects related to climate change

Development policies and programmes can no longer be designed without integrating the climate aspect: to be sustainable, they must take into consideration present and future **climate risks** in the areas of intervention, strive to boost the **resilience** of the populations to climate change, and ensure that the **promoted development solutions** entail low greenhouse gas emissions. In this regard, the programmes planned by ADA will seek to foster climate-smart agriculture, promote the sustainable management of landscapes, land and forests, and spur the development of renewable power, as well as energy-efficient housing and equipment for productive and domestic use.

Gender issues and the role of women

Despite the headway made over the last few decades, particularly in the school enrolment of girls and the appointment of women to political and economic decision-making posts, numerous challenges remain regarding gender equality. Women, who are more likely to work in the informal sector and face more constraints when attempting to earn or spend income or access real estate, are therefore at increased risk of falling into poverty. The gender gap is just as wide in financial inclusion, as women are less likely than men to hold bank accounts (54% of adult women versus 63% of adult men, according to the latest Global Findex report) or use digital financial services.

ADA will therefore make sure that the projects designed and implemented regarding the three main topics of this new strategic plan will not just refrain from perpetuating existing inequalities, but will instead contribute - whenever possible and in accordance with the relevant sociocultural contexts - to taking into account the hurdles faced specifically by women and building their capacity, thus enabling them to play a key role in advancing towards the SDGs.

Use of digital technology

As ADA has learnt from multiple projects, inclusive finance, which aims to offer a panoply of financial services tailored to the needs of vulnerable populations, increasingly relies on digital solutions. However, digital technology is not enough to guarantee progress in the field of development, whether for inclusive financial services or for any other type of service. To make the most of the digital transition, bridge the digital divide and thus make 'digital dividends'⁹ a reality, complements are needed, particularly when it comes to regulation and building the capacities of users, organisations and individuals alike. The projects/programmes targeting the three main topics will therefore take into account the need for these complements and will leverage digital technology to expand their reach. Thanks to this overarching target, integrating digital technologies into certain projects offers an opportunity to boost innovation and foster collaboration with new types of stakeholders (fintech companies or others). ■

Geographic orientation

PRIORITY COUNTRIES

ADA will pursue its actions in three regions, namely Africa, Central America and Asia. Five priority countries will be taken into consideration: Burkina Faso, Senegal, Guatemala, Laos and Cambodia. A sixth country located in Central America will be selected within the first year of the new plan.

The choice of the new priority countries will be made in coordination with the MFEA and based on an analysis of the socio-political context.

Priority countries meet at least the three following criteria:

- countries with the potential to make progress in financial inclusion, both in terms of access and use as well as in terms of adequately meeting the needs of the target population;
- countries for which ADA has good historical knowledge of the financial inclusion context and stakeholders;
- countries where ADA can plan innovative actions on the three selected main topics.

In order to stay up to date on the context and the actions put in place by ADA in these countries, an employee of the association will be a designated single point of contact. Regional leaders will also be appointed to ensure the consistency of ADA's actions within each region.

PROJECT COUNTRIES

Projects are also being considered in other countries, designated as project countries. These are countries where ADA:

- operates at the request of a funder on projects in line with its three main topics;
- carries out activities that bring add value to projects conducted in priority countries; or
- wishes to shore up an investee that is part of LMDF's portfolio.

This category includes but is not limited to Cape Verde, Mali, Niger, Bangladesh, Myanmar, Bhutan, Kenya, Tunisia, Nicaragua and El Salvador.

The distribution between these two categories is liable to change over the four-year period depending on how the security or political context evolves and any opportunities that may arise. A project country may become a priority country based on a reasoned decision reflected in the annual action plan. Likewise, a priority country may be dropped from this category if it no longer meets the conditions for intervention. The goal is not necessarily to increase the number of priority countries, but to avoid geographic overextension. Furthermore, ADA will intervene indirectly in other countries, for example, within the framework of SSNUP or other programmes that may be put in place. ■

Implementation and intervention methods

To implement the new plan, ADA will draw upon its technical assistance projects to share its inclusive finance expertise, on the one hand, and upon its role as an impact investment adviser to LMDF, on the other hand.

Technical assistance projects will be rolled out either directly or through partners. The choice between these two intervention methods will depend on the context and other aspects of the project in question, taking into account efficiency considerations. Based on the recommendations of the external assessment and the lessons learnt during the 2020–2021 health crisis, ADA will adapt its intervention methods to strike a balance between the creation of posts for technical advisers based in the field, the field missions needed for the identification of a project or expertise transfer, and remote meetings for project management aspects.

ADA expects to fulfil three key roles, simultaneously if necessary, as part of the technical assistance projects:

- **a provider of expertise**, by marshalling ADA's in-house teams or external consultants, which requires the ability to identify the right partners, draw up relevant specifications and monitor and evaluate the quality of the services rendered;

- **a catalyst**, which requires the ability to identify and coordinate the work of the various stakeholders involved in the implementation of a programme and the consolidation of the innovative solutions developed, including financial institutions (MFIs, investors, etc.), but also stakeholders such as service providers (water, power, incubators, etc.), digital

solution providers (fintech companies, platforms, etc.), research organisations, etc.;

- **a project manager**, an essential role for guaranteeing that the results will be achieved; it requires the ability to make quality identifications and formulations, as well as rigorous monitoring, assessment and reporting capabilities.

The advice provided to the IforD fund for LMDF will be the responsibility of a dedicated team specialising in identifying, analysing and monitoring impact investments. ADA will strive to enhance the synergies between these impact investments and its own technical assistance projects.

In order to strengthen these areas of expertise, knowledge management will be promoted throughout the four-year plan. The formulation of a theory of change for each main topic, emphasising the identification of the needs of the target populations and the definition of specific indicators, will make it possible to track and analyse the results achieved. This knowledge will be supplemented by regular project assessments and studies published in the sector. This approach to knowledge management will play a key role in continuously providing material for ADA's actions.

To round out these actions related to development projects and impact investment,



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inclusive finance communication, training and promotion activities will be carried out to share the results and experiences of other development stakeholders.

ADA expects to fulfil three key roles as part of the technical assistance projects.

TECHNICAL ASSISTANCE PROJECT PORTFOLIO

The planned project portfolio will be based on the three following types of actions.

Prospection Labs and test projects

ADA intends to organise Prospection Labs to foster innovation on the main topics. This method enables the development of tailored innovative solutions based on the needs of target populations. Specifically, the method consists of identifying the needs of the target populations, selecting potential solutions and running pilot projects for a given topic in a given country. The aims of these projects, which will last 6 to 18 months and have an indicative budget of €20,000 to €50,000, will be to promote innovative solutions on a small scale and to test a relationship with a given partner. These Prospection Labs will reinforce the innovative dynamic across ADA's interventions thanks to better knowledge of the needs of the target populations, the chosen solutions and potential partners.

Thematic programmes

Thematic programmes will be formulated and rolled out for each of the three main topics of the plan. Fuelled by the work carried out in the Prospection Labs, these thematic programmes will cover several countries. They will be made up of a set of consistent projects focusing on a specific topic and aiming to come up with a holistic solution to a given problem, always with a long-term perspective. Over the next four years, ADA plans to launch two or three specific programmes for each of the three main topics, which are in line with the theories of change set out above.

SSNUP, which seeks to improve the risk management of smallholder farmers to promote impact investment in agricultural value chains, and the YES FI programme, which offers young entrepreneurs a revenue-based financing mechanism, are two examples of the thematic programmes in consideration for the 2022–2025 period.

Sectoral programmes

Sectoral programmes will be drawn up and implemented in ADA's five priority countries and several other countries of interest for the Luxembourgish Directorate for Development Cooperation and Humanitarian Affairs. They will be in line with the rationale of supporting the national financial inclusion strategy of each given country and strive to make a consistent contribution to the expected results for each of the three topics. These programmes will draw upon ADA's past experience and the thematic programmes.

This synergy between the thematic programmes and sectoral programmes will be made easier by the fact that:

- the chosen main topics overlap to a great extent with the four main topics selected for the general strategy of the Luxembourgish Directorate for Development Cooperation and Humanitarian Affairs and are therefore reflected in most indicative cooperation programmes (ICPs);
- ADA will be involved in the ICP identification, formulation and implementation phases, whether directly or in close collaboration with LuxDev, in

line with the recommendations from the mid-term assessment of the previous term.

ADA will also take this approach in Tunisia to support its national financial inclusion strategy at the behest of the MFEA.

The sectoral programmes, which for the countries in question represent a greater degree of involvement by ADA within the framework of the ICPs, offer the opportunity to enhance synergies and the consistency of the actions funded by the Luxembourgish Directorate for Development Cooperation and Humanitarian Affairs.

IMPACT INVESTMENT ADVICE

Impact investment has played a major role in funding for development for over a decade. Since its establishment, on top of its fundamental mission of providing technical assistance for financial inclusion, ADA has thrown its weight behind impact investment as a way of supporting development that can exert a leverage effect to enhance its scope and effectiveness. Over the next few years, ADA intends to continue to provide advice to Iford/LMDF and plans to launch an innovation funding instrument for financial inclusion. In addition to its role as an investment adviser, ADA will also implement several programmes to establish synergies with other impact investment funds, particularly in the field of climate finance.

Investment adviser to LMDF

As an investment adviser to LMDF, ADA monitored, as of 31 March 2021, a portfolio of 28.5 million euros distributed among 53 microfinance institutions or other partners. These investments provide financing for close to 56,000 entrepreneurs, 62% of whom are women, with an average loan amount of 1,300 euros. This is a perfect illustration of the complementarity with ADA's other programmes, as well as the leverage effect that these impact investments exert for the benefit of development.

Over the next few years, ADA intends to continue providing investment advice in support of

LMDF's development, including by identifying opportunities for diversification in connection with basic services. Indeed, considering the growing interest in impact investment and the commitments of certain investors, LMDF's portfolio should exceed 50 million euros by 2025.

ADA's involvement in impact investment is not an end unto itself, but it supplements the financial inclusion technical assistance projects that lie at the core of the association's activities. In this regard, LMDF's impact investment exerts a real leverage effect and offers long-term perspectives for certain projects carried out by ADA's partners in the field. Likewise, certain ADA projects can facilitate or bolster LMDF's potential investments. Fostering this complementarity, which has already been put in place, is in line with the concept of consistency and complementarity in development actions.

Launch of an innovation funding instrument for financial inclusion

As mentioned earlier, impact investment is a very relevant complement to more traditional development projects. However, experience has proved that the constraints of investment funds make it impossible to meet the flexible and risky financing needs of certain partners with whom ADA works, especially when it comes to innovation projects. Nevertheless, a loan, a guarantee or an equity stake are forms of financing that could be highly relevant and more effective than subsidies or donations for certain projects of this type. Accessing 'investment-type' financial resources that are flexible, affordable and capable of absorbing high levels of risk would allow certain partners to prepare to become eligible for fully fledged impact funds in the future.

To meet this need, ADA plans to set up an independent structure dedicated to managing an innovation funding instrument for sustainable financial inclusion. This structure would be established in close collaboration with IforD SICAV, which spans LMDF and FCCF. This would ensure complementarity with the existing investment opportunities offered by IforD and foster an investment relationship with certain ADA partners involved in development projects.

There will also be exchanges with other financial inclusion stakeholders in Luxembourg (e.g. the SOS Faim Agri+ programme) to strengthen synergies and boost consistency in development actions.

The launch of such an independent structure, capable of providing financial resources in the form of investments that take into account the constraints inherent in innovation, requires an extended preparation period to take on board matters such as the investment duration and type, risk management (including currency risk), terms compared to the market, etc.

The goal is to achieve a volume of 5 to 10 million euros within four years, knowing that a sum of 1 million euros is already available at ADA (ADA future project reserves and MFEA Fund for innovative projects). Additional resources would come from donations, mainly from foundations or businesses, based on the 'Donate to Invest' concept.

Knowledge management

ADA will strengthen its knowledge management over the next four years. Knowledge management consists of encouraging the achievement of ADA's overall objectives by nurturing a dynamic of innovation and creating the right conditions for continual improvement of ADA's central mission - managing development projects - in terms of both procedures and results.

To achieve this goal, the knowledge management team will be in charge of three main, interdependent functions:

- a 'Knowledge Management' function, which will identify, capitalise, create, organise and share knowledge on ADA's three main intervention topics, gained from projects run by ADA or by other stakeholders in the organisation's areas of intervention, as well as streamlining the use of this knowledge to foster innovation and constantly enhance the relevance and long-term impact of the projects;
- a 'Quality' function, which will ensure that ADA's interventions are consistent with its overall strategy in terms of both the goals and

the implementation of project management and knowledge management that are clear, harmonised and consistent with this strategy and with development sector standards, as well as facilitating their implementation by means of tailored procedures and tools;

■ a 'Reporting' function, which will report the resources used, the activities carried out and the results achieved by ADA to its board of directors, donors and partners, as well as providing data for knowledge management and quality tracking. ■



Monitoring and evaluation

ADA has been developing its project monitoring and evaluation methods for several years. These methods will be further refined in the coming years with a view to gaining a better understanding of the effectiveness, efficiency and impact of its interventions, learning lessons that could lead to adjustments, and sharing knowledge with other stakeholders.

ADA will track a series of indicators common to all its actions, which will be aggregated and analysed once a year, to assess regularly whether its rationale for intervention is yielding the expected results and effects.

Indicators have been defined for each level of the rationale for intervention set out in ADA's theory of change (resources, activities, results, effects), except for the impact level, which can only be evaluated from a very long-term perspective and poses significant challenges when it comes to establishing whether ADA's intervention truly worked. Thus, ADA's impact measurement methods will consist of determining the effects or changes to which ADA has contributed, mainly at the level of the target groups, for example, in terms of making income more secure. Whenever possible, this analysis will also be carried out in the contexts and communities in which these groups lead their lives, for example, in terms of job growth.

In order to guarantee a certain level of quality and reliability for this impact measurement exercise, the methods used by ADA will be rigorous (e.g. surveys of a representative sample of beneficiaries), systematic (e.g. similar questionnaires so that they can be compared) and recognised or used in the sector (e.g. FAO tools to gauge the level of food security, greenhouse gas emissions, etc.). However, for efficiency reasons, this exercise will not be done for each project, only for a pre-selected set of projects. This selection must adequately represent the various main topic of ADA's interventions. Thus, while ADA will not be able to exhaustively quantify the effects of its interventions, it will get an overall view of the various types of changes and SDGs to which it contributes, as well as illustrating these changes with the selected projects. Indeed, as

a stakeholder that fosters innovation through experiments, its goal is not to reach as many people as possible (i.e. quantitative targets are not relevant), but to identify and promote the most relevant and effective intervention methods to meet the needs of the target populations.

In contrast, the indicators concerning the results achieved, activities carried out and resources tapped will be systematically compiled for all projects. In this case, ADA will have a thorough view of what it mobilises, does and produces. Analysing these indicators will provide a clear picture of the effectiveness and efficiency of the interventions. In addition to these indicators, others that are more specific to the various types of projects and solutions put in place will be defined, as will specific indicators for each project, so that a sharper analysis can be carried out at different levels. Intervention partners will be involved in this procedure from the beginning, making it possible to identify the most relevant and efficient compilation methods according to the resources available at their level, as well as guaranteeing that the partners take these procedures on board and, where possible, build their capacities in this area. ■

ADA will track a series of indicators common to all its actions, which will be aggregated and analysed once a year, to assess regularly whether its rationale for intervention is yielding the expected results and effects.

Financial resources

	Total	
2022-2025 budget	€ 62.599.392	100%
Thematic programmes	€ 28.736.755	45,9%
Sectoral programmes	€ 14.820.090	23,7%
Investment programmes	€ 5.495.880	8,8%
Knowledge management programme	€ 4.281.795	6,8%
Communication programme	€ 4.250.268	6,8%
Admin/Finance/HR	€ 5.014.603	8,0%
Sources of funding	€ 62.599.392	100%
MFEA mandate	€ 33.999.074	54%
LuxDev (for the MFEA)	€ 2.882.900	5%
Other public and private sources	€ 25.717.417	41%

Expenditure is budgeted to be 62.6 million euros over four years. As for the sources of funding, the multiannual mandate set out by the MFEA includes a financial contribution of 8.5 million euros a year on average. This is supplemented by a sum ranging from 0.5 to 1.1 million euros per year from implementation contracts with LuxDev, bringing the total contribution of the MFEA to 59% of all resources. Other public funders such as Switzerland's international cooperation, the German Ministry for the Environment's International Climate Initiative (IKI), the European Union and FAO, along with private funders such as foundations, contribute a sum of 22 million euros, amounting to 35% of the total four-year budget. ADA will also endeavour to promote self-financing for certain activities, which could amount to 3.5 million euros, i.e. 6% of the total four-year budget. ■

Notes

1. 'blended finance'. The OECD defines 'blended finance' as the strategic use of development finance for the mobilisation of additional finance towards achieving the SDGs in developing countries, where 'additional finance' is primarily private commercial finance.

2. 'impact investment'. Social impact investment is the use of public, philanthropic and private capital to support businesses that are designed to achieve positive, measurable social and/or environmental outcomes together with financial returns.

3. the 'Donate to Invest' concept makes it possible to raise funds to invest in a specific project with a level of risk and a long-term outlook that are much more flexible than classical investments, while offering the possibility of reusing the sum following reimbursement.

4. in the sense of Amartya Sen's 'capabilities', i.e. the possibility of effectively choosing one's living conditions, which depends on access to tangible and intangible resources and the ability to translate those resources into well-being.

5. the 17 Sustainable Development Goals, adopted by the 193 countries of the United Nations in 2015 to work towards a fair transition to sustainable development by 2030, have 169 associated targets. The SDGs that ADA can contribute to have been identified by selecting the targets that its interventions are in line with.

6. ADA uses the African Union's definition of 'youth' or 'young people', which refers to every person between the age of 15 and 35.

7. innovation can cover the type of service or solution provided to target populations, but also the distribution method, the partnerships struck to encourage development, the provision or upscaling of services or solutions, or providing a service or solution already in place in a different context.

8. financing for which reimbursement is calculated according to the trend in turnover or cash flow.

9. 'digital dividends' refers to the additional benefits that digital technologies are expected to bring to the field of development. Source: World Bank (2016), "Digital Dividends", World Development Report. ■



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