

Evaluation of ADA Strategic Plan, 2012-2016

EXECUTIVE SUMMARY

ADA's Missions and Goals

ADA, Aide au Développement Autonome, aims to strengthen and accelerate the financial inclusion of people excluded from traditional banking systems in developing countries. It proposes to strengthen the capacities of institutional 'partners' in the South and / or of their federations, and supports research funding and sustainable innovative processes, based on concepts of partnership and autonomy.

The Luxembourg Ministry of Foreign and European Affairs (MFEA) funded ADA first by co-financing some of its projects. Thereafter, the MFEA has used the "mandates" tool to co-finance the ADA strategic plans: from 2007 to 2012 and from 2012 to 2016, the current mandate having been extended until 2017. It funds up to 71% (€ 37 million) of the 2012-2016 strategic plan, which is structured around five programs:

1. The "inclusive finance services" program which aims to develop and test innovative financially inclusive products and services for Southern partners;
2. The "capacity building of sectoral support" program which aims to strengthen the skills of partner institutions and professional associations through technical assistance, management tools and training;
3. The "Investing in inclusive finance" program that aims to reinforce access of Southern partners to international investment, including support to the "Luxembourg Microfinance and Development Fund SICAV (LMDF)."
4. The "research and development" program that aims to contribute to research in inclusive finance through observation of the sector and the capitalization of the collected information and expertise mobilised by ADA and its partners.
5. The "Knowledge Management and Communication" program aimed at capitalization, management and dissemination of knowledge.

In this context, the MAEE requested an overall assessment of the five programs of the ADA Strategic Plan 2012-2016.

Objectives and methodology of the evaluation.

The expected objectives of this evaluation are:

- Assess the relevance of the Strategic Plan of ADA's five programs,
- Measure ADA's added value in the effective and efficient implementation of interventions in microfinance and inclusive finance in partner countries,
- Appraise the sustainable impact of the interventions in terms of poverty reduction,
- Check how ADA's interventions match its mission statement.

In this context, the horizontal objectives which contribute to the implementation of all the programs related to the overall strategy of the organisation were taken into account on the one hand and, on the other hand, the specific objectives of each particular program were analysed.

Six cross-cutting objectives that contribute to the successful implementation of all programs were identified:

- Analysing ADA's organizational structure;
- Analysing the sustainability and financial performance of the institution as a whole;
- Analysing the institutional relationship with the MFEA;
- Analysing the institutional relations with other stakeholders;
- Assessing the strategic and operational approach of ADA's action in relation to its overall consistency;
- Verifying the capitalization and dissemination of good practices.

In addition, the five specific objectives relevant to each program are:

- Ensuring the relevance of each program and the coherence between them;
- Assessing the added value of ADA in the effective and efficient implementation;
- Verifying the sustainability and the social impacts;
- Analysing the financial structure between ADA and its partners;
- Analysing the profile and process of institutional relations with its partners.

The evaluation mission was implemented between December 2015 and May 2016. It consisted of numerous meetings at the headquarters of ADA, complemented by a comprehensive literature review, two field reviews of the projects Cred'Art in Burkina Faso and REDCAMIF in Central America, and many other meetings with stakeholders in Luxembourg and elsewhere.

The analysis of the cross-cutting objectives

The evaluation of the cross-cutting objectives that contribute to the implementation of all the programs which form part of the strategic plan of ADA, hereby highlighted the need to strengthen ADA's governance structures and to stabilise its new organisational structure, based on a new organisational chart adopted in late 2015. This major project touches upon the identity of ADA, its strategic vision, the management of human and financial resources and the implementation of new management tools.

It is important to note that these reforms, introduced since the end of 2015, are consistent with the positive findings of the structural and organizational audit of the institution which focused on the following: i) the governance, organizational structure and processes and ii) the project cycle management, including the evaluation process and monitoring of activities.

Overall, the audit is positive with regards to the management of human resources, financial resources or ADA's partnerships. The NGO has qualified staff, its finances are properly managed, controlled and audited, the NGO's governing bodies fulfil their mandates and, finally, the partnerships are established according to transparent contractual arrangements. However, with regard to the project cycle management, the logical framework and the related logics of intervention are not fully internalized, and do not always properly reflect the NGO's intervention strategy, which makes it difficult to read and analyse the results and objectives. Indeed, the mission noted that ADA has significant room for improvement in the fields of programming, monitoring, budgeting and reporting field actions.

In terms of institutional and partnership relations, the evaluation highlighted the very positive corporate image of the NGO amongst the microfinance stakeholders and a trust relationship with the MFAE, the latter considering ADA as a key partner in the implementation of its strategies in the area of inclusive finance. In this context, the organization should consider first, to further diversify its funding partners, avoiding the dependence on one single donor, and, secondly, to reinforce its relation and involvement with its spin-offs inside the House of Microfinance by further promoting a "cluster" approach that would enhance the effectiveness and visibility of all the stakeholders.

In addition, the NGO might need a new financial tool in order to meet the financial needs of its MFIs partners. Today, ADA is counting on its partnership with the LMDF fund to provide a response to credit capital requirements for all MFIs that are technically supported by ADA. However, LMDF is not able to meet the financial needs of all MFIs partnered by ADA. We must therefore consider various possible scenarios in order to address this challenge.

The analysis of the specific objectives of each program

Concerning the overall consistency of its mission, ADA must ensure that the supported projects have a positive impact on the living conditions of the targeted populations (IMF clients). Currently, the only measure of performance and sustainability of IMFs supported are not sufficient to assess this impact. It has therefore been recommended to the NGO to further develop tools and methodologies measuring the social impact and to plan this impact assessment for all the projects supported.

Regarding the capitalisation of knowledge and good practices, ADA needs to be able to implement processes and procedures to meet three capitalisation levels:

- The support for partners in the field: capitalisation of experiences, lessons learned, results and intervention logic.
- The diffusion of research results, training and knowledge to all the microfinance stakeholders,
- Human resources management: ensuring the transfer and knowledge management within the organisation.

In brief, this evaluation process tried to answer the following key question: Do strategy, implementation and operational approaches on the ground with southern partners answer to a real need and are they consistent with Luxembourg's policy in microfinance?

Successive Government declarations mention microfinance and express the need to recognize the potential areas of cooperation among the economic, the social and environmental topics, and the dynamic of mutual reinforcement that comes from the simultaneous and complementary progress in these three areas.

The Luxembourg Development Cooperation is paying close attention to the link between the tools and methods of microfinance combined with the efforts for environmental protection and renewable energy.

The evaluation confirms that the activities of ADA with its partners located on the 3 Asian, African and American continents, capitalize effectively the added value of an intervention logic which consists of an association of the economic, social and environmental aspects.

This approach aims to promote both the institutional strengthening of partners, the diversification of financial products by integrating the management of environmental resources and the promotion of renewable energies, and finally the financial sustainability. Such an approach is fully consistent with the vision of sustainable development promoted by both Luxembourg and the European Union or even the United Nations and the OECD.

The site review of the project REDCAMIF in Central America highlighted the relevance of the approaches proposed by ADA to achieve the autonomy of its partners. REDCAMIF's team emphasizes the impact of the technical support of ADA and its added value in the program. The CEO of REDCAMIF considers ADA more as a partner than as a "traditional" donor. Moreover, the tools provided by ADA such as the management' based results, the factsheet, or the microleasing methodologies, are recognized by partners as having a great value. Furthermore, the support that ADA gave to the national networks' sustainability initiatives directly and effectively contributes to the empowerment of partners in each target country.

Luxembourg Cooperation is also determinate to contribute to regulatory and market transparency efforts of the inclusive finance market.

Again, the evaluation underlines that ADA, in its capacity to mobilise and share good practices at an international level, has played and still plays a major role in promoting transparency within the microfinance sector in areas where it has been active. Therefore, Luxembourg and its Government have benefited from an exceptional international visibility in terms of promoting good practices in these fields.

Conclusions and recommendations

The approach endorsed by the Luxembourg Development Cooperation in inclusive finance is deliberately broad and multidisciplinary. The diversity, multiplicity even, of ADA's approaches through the implementation of its various programs and through the development of its unit's activities, reflects this vision of a necessarily multidisciplinary inclusive finance facing many challenges.

In conclusion, the evaluation mission identified a number of priority areas linked with the recommendations and findings associated with it. There are five of them:

- Consolidation and strengthening of governance
- Strengthening of ADA's identity and strategy
- Strengthening staff capacities and programming and management tools
- Research, capitalization and transfer of knowledge
- Reform or widening of the offer of financial products, meeting the needs of partners.

In order to become, even more than now, a valuable and essential partner for the strategic development of the Luxembourg Development Cooperation, ADA has to pursue the implementation of the activities related to these 5 areas of priority. To achieve this, the evaluation mission recommended implementing a change management support system, ensuring an effective implementation of the approach and its follow-up, its participatory dynamic and its compliance with methodological and strategic principles previously identified.