



Evaluation of the Financial Inclusion Development Programme 2018 - 2021 of the non-governmental organization Aide au Développement Autonome (ADA) a.s.b.l.

Executive Summary

Context of evaluation

The support that the Ministry of Foreign and European Affairs (MFEA) grants to the Non-Governmental Organization (NGO) Appui au Développement Autonome (ADA) a.s.b.l. shows the importance Luxembourg assigns to financial inclusion as an instrument to fight poverty, within its broader framework of development policy.

Since 2007, MFEA and ADA have been operating under a mandate scheme. The third mandate - granted for the period 2018-2021 (amended in 2019) - is the subject of this evaluation. The agreement between the MFEA and ADA is due on the 31st December 2021. ADA is then formally required by the MFEA to submit a new proposal for cooperation that should be grounded on a strategic plan, indicating the medium- and long-term vision and the budget.

The purpose of the evaluation

The objective of the evaluation is to verify the implementation of the Operational Programme 2018-2021 (PDO) developed by ADA, by answering a set of questions developed in accordance with the OECD Development Assistance Committee (DAC) evaluation methodology, and to provide recommendations for the implementation of the new PDO, while ensuring that the needs and priorities of beneficiaries remain central.

Approach and methodology used

The methodological approach is grounded on three pillars:

- A solid documentary analysis, aimed at establishing the most complete possible picture of the implementation of the PDO (and the projects that constitute it);
- An analysis of primary sources at ADA institutional level and its donors', to assess the overall strategic and operational dynamics;
- An in-depth analysis of primary and secondary sources of a sample of projects/programmes.

The methodology takes into account the great diversity of projects, themes and contexts in which ADA operates. The internal coherence of the intervention within the strategy of Luxembourg Cooperation is central to the evaluation.

The field evaluation was conducted by online interviews, due to the pandemic restrictions. Interviews with ADA staff took place between the 9th and 17th February 2021. ADA's partners, both in Luxembourg and abroad, were also interviewed online between 18th February and 16th March 2021. An interactive workshop with ADA staff took place on 25th February and was facilitated by the online brainstorming tool GroupMap. A questionnaire was administered to the final beneficiaries of some of the selected projects.

The outcomes of the evaluation

Overall, in the framework of the 2018-2021 PDO, the projects implemented by ADA **contribute in a coherent manner to the achievement of the objectives** of the strategy of Luxembourg Cooperation and its SDGs. Over the period 2018-2020, an increasing alignment is observed both in terms of themes and geographical positioning. The relationship with its historical partners within the Cooperation is confirmed during the current PDO, while an intensification of the coordination with other actors is observed. In particular and considering its importance for both organizations and for the MFEA, the relationship with LuxDev deserves formalization, which is essential to ensure optimal alignment of the respective objectives and create real added value. After having consolidated the internal organizational structure, ADA has started focusing more on innovating and experimenting its projects. The new PDO, will give the NGO the opportunity to define even more effectively the possible synergies with the Cooperation's strategy, with a particular focus on ADA's specific competences and added value.

ADA's multiple and diversified projects are **relevant to respond to current challenges** of the financial inclusion ecosystem, for example in terms of topics of intervention. In the identification and design phase, different methods are used, based on the type of projects to be implemented, which is suited to the variety of ADA interventions. Said that, there is room for improvement in the analysis of the context, the needs of the direct beneficiaries and the target population, especially for what concerns the older projects in the PDO. More attention to the design and identification is observed in more recent projects. The "client-centric" approach and the concentration of efforts on themes / countries / partners identified as strategic, could be further exploited to ensure additional development of activities and to make experimentation more central.

As of today, it is difficult to accurately assess to what extent the objectives set in the PDO have been achieved and to compare the performance of the projects. This is due to an incomplete analysis framework and lack of targets, as well as to limitations in terms of relevant indicators and monitoring of achievements. Nevertheless, the overall assessment of the **effectiveness of ADA's intervention** is to be considered adequate; the internal evolutions during the PDO, as well as the results observed on the projects have contributed to the overall effectiveness. Moreover, an important effort has been made to develop harmonized and efficient monitoring and measurement systems. In view of the formulation of the next PDO and following several months of strategic reflection, an extensive preparatory work has been carried out with the aim of linking the objectives and results to be achieved with the projects to be implemented in a more coherent, relevant and effective manner, and grounded on the development of a theory of change.

Regarding the **overall efficiency of ADA**, a rough analysis of the budget management shows a certain stability of the usage of resources during the PDO. The average budget managed by pure operational staff (project managers and technical advisers) is indicative of the intensity of operational work in relation to the type and size of the projects managed. Based on the information available to date, a detailed quantitative analysis of the use of resources is difficult to make; the budget analysis of projects can be done mainly at the level of budget consumption

The idea of practicing and promoting **impactful microfinance is at the very heart of the PDO 2018-2021**. A continuous effort has been made in this direction during the lifetime of the PDO, aimed at establishing and refining a definition of impact and outcome/impact measures. Since 2019, this has been mainly done by the R&D team through the development and harmonization of indicators, especially for the new projects. ADA's commitment to measuring and demonstrating that the effect of

its interventions is tangible and likely to flourish in the new PDO, even if systematization has not yet been achieved. **Sustainability** is intrinsic of ADA's intervention (e.g., working through institutions, institutional and sector strengthening); however, progress still needs to be made e.g., in the development of exit strategies, but also to further develop some of the more holistic and innovative approaches to sustainability (e.g., green finance, blended finance etc.).

Recommendations and good practices

More formal coordination LuxDev – ADA for a stronger Luxembourg cooperation

- In order to achieve a coordinated and effective intervention by the Luxembourg Cooperation in the priority partner countries, **the relationship between ADA and LuxDev must be institutionalized**. There is currently no real coordination between the different mandates and the misalignment creates a loss of added value.
- To preserve the uniqueness and strengths of each party and promote effective synergies, ADA and LuxDev should gathered around a table, at the initiative and under the direct coordination of the MFEA. The mandates of each one should be analysed to find common areas of collaboration and potential cooperation.
- ADA can contribute to the dialogue between the parties thanks to its profound experience in inclusive finance, flexibility, ability to experiment and potential for innovation, while LuxDev would bring its experience as a public partner and bilateral agency, capable of developing and executing large-scale projects.
- Once synergies have been identified, **an official document should be signed by both parties and validated by the MFEA**, allowing to align and formalize mutual expectations and, as said, to institutionalize the relationship.
- More specifically, when it comes to operationalizing the relationship in the field, **it would be ideal if this would be done from the identification and design of the inclusive finance component of the PIC (Indicative Cooperation Programs)**, rather than during the execution. The mobilization of ADA during the identification and design phases of the PIC, would make possible to start from a shared diagnosis of the needs and problems to be solved, which would subsequently facilitate the coherence of the interventions and the distribution of roles between the two organizations.

Innovate consistently and make the most of all synergies and skills

- The experience of the *Innovation Labs* has greatly contributed to stimulating dialogue and fostering innovation. In preparation for the new PDO, the “guidance notes” show that ADA is considering how to best position itself in the evolving sector of inclusive finance. In order to prepare a new PDO that is both coherent with the Luxembourg Cooperation’s strategy but also contributes to innovation, **the reflection must be accompanied by a clear strategy by theme and by country, systematically including a mapping of potential partners**.
- ADA must focus on its strengths (i.e., understanding of inclusive finance, flexibility, capacity to experiment, strong network of relationships) to operate effectively by theme and by country, strategically examining the opportunities that arise.
- **The strengthening of the socio-economic integration of women** is often seen as an indirect result of inclusive finance but, for the sake of consistency with the mandate, it **should occupy a more prominent role and be more integrated into cross-cutting themes**.

Sound needs' identification and design: the basis for a relevant, effective, and impactful intervention

- In consideration of the determining power of these initial phases, **it is recommended to systematize and strengthen them**, while establishing that differentiations will be necessary depending on the type of project. Particular attention should also be paid to this phase through **quality control**. Even in the case of a renewed project or the same type of project in a different context, the initial diagnostic phase should not be taken for granted. Rather, it should draw on a reasonable number of primary and secondary sources, depending on the type and size of the project. It is obvious that an in-depth knowledge of the local context is an important component in this process.
- A sound needs' identification phase is the basis for relevant design and then successful implementation, and the starting point of any theory of change. Ensuring a **solid identification phase** is essential since it allows to assess the scope and needs of the beneficiaries. An initial diagnosis should also help to foresee the main characteristics and constraints of the context.
- The preliminary phase would also allow to define the most appropriate way to approach a possible pilot. This is especially true for difficult or new contexts and new intervention themes. **The size, scope and modality of the pilot should be then designed on the basis of efficient use of resources.**
- A sound initial phase should also permit to limit adjustments during the implementation phase and possibly move faster.
- The best exploitation of the high potential relevant projects in the framework of the PIC, and with an inclusive finance component, depends on the upstream alignment of efforts, including the identification and design phases. **ADA involvement from the identification phase will enhance the chances of designing and implementing inclusive finance projects in a coherent and effective manner.** Moreover, **a presence in the field could allow better integration into the PIC.**

An organization design consistent to the NGO's strategy

- ADA has radically changed over the last few years and the organizational structure must reflect this evolution in a relevant way, in order to be able to support it and even to be a driver of it. Otherwise, the organizations risks to become an obstacle. Managing the misalignments between structure and strategy may absorb energy that could be otherwise used more productively. While this requires **dedicated and in-depth reflection**, working hypotheses can nevertheless be made. For example, one option could be to overcome the unit structure in favour of a matrix organization, where thematic skills cross geographic skills / presences and those in project management, in order to create poles that will become reference points and facilitate operational synergies while stimulating innovation. The *Innovation Labs* are an interesting example of the potential represented by this type of operation. Moreover, temporary and *ad hoc* working groups can also be adopted to move forward on specific themes and promote innovation. This is a simple assumption and, depending on the extent to which ADA wishes to experiment and innovate in this direction, more sophisticated models can also be explored. The suggestion is **to design a structure that is coherent and relevant with the strategy and vision.** The revamped organization aim should not be **to optimize the functioning of individual sections of the structure (e.g., the units) but to contribute organically to the end result.**
- It is advisable to carry out a **strategic reflection around the cost-opportunity trade-off represented by having more staff in the field.**

Strategy, positioning, and clear priorities for more effectiveness

- A strategy developed on the basis of a strong, coherent and shared theory of change provides a clear direction to appreciate progress on the results chain. **In addition to a general theory of change, it is advisable to develop theories of change for priority strategic themes and programs.**

Such approach could represent a solid framework for building a coherent and effective logical framework, at project level.

- **Clear priorities (i.e., thematic, geographic)** should stem from the strategic reflection ADA is committed to, **allowing for more focused use of resources, and thus more effectiveness and, possibly, impact.**
- An **internal decision on what is priority in terms of effectiveness** (e.g., breadth, depth, innovation, etc.) must be defined; this may leave space for multiple option and should support operational decision making (e.g., presence in the field or not, partnership modality and implementation). In achieving this objective, a reflection on the role that ADA can play within Luxembourg Cooperation could be integrated.
- When selecting partners, this should be done in an open and objective manner.
- **Experimentation must be done in a perspective of reproducibility and scalability**, to ensure an adequate and efficient use of resources.

Define homogeneous and measurable indicators and reflect on the formulation of targets

- In view of the next PDO, it is strongly recommended to **strengthen the target setting mechanism and to ensure the association of measurable and relevant indicators with specific objectives and results. Indicators measuring the achievement in terms of outcome and effect should be included.** The approach **should allow to monitor the effectiveness of the intervention over time in relation to its progress in the results chain.**
- In order to facilitate the setting of relevant targets, it is suggested to start from projects, exploiting the work carried out with the library of indicators **to identify homogeneous indicators by type of project and by theme.** It will then be possible to **associate with each project a limited number of measurable indicators, as standardized as possible, and to define objectives by year and by duration of intervention.** For projects associated with themes that have been already explored, an analysis of the past results can be made to identify hypotheses on possible targets. Having developed homogeneous indicators for categories of projects (e.g., themes, type of intervention) should then make possible to aggregate and use them to define quantitative objectives, at the macro and PDO level. As far as feasible, aligning the duration of the projects with the PDO makes possible to harmonize the objectives and expected results with the targets. In this way, it will be easier to demonstrate the progress made against the set objectives, to highlight the results obtained and the new initiatives developed. The target set on the basis of the initiatives already foreseen at the start of PDO may take into account the new initiatives by an incremental assumption.
- It is also advisable to carry out a **comparative analysis year by year**, both at the project level and at the level of the PDO, to identify any variations and deviations.
- The database on AidPortfolio should be checked, cleaned, and audited regularly.

More comprehensive budget analysis helps to take better and more efficient decisions

- Budget analysis is today quite limited and **could be enriched in the sense of a more granular and detailed appreciation of the allocation of resources.** An initial analysis should begin by making comparisons of relevant categories, by grouping projects and building internal benchmarking. A simple analysis would allow to identify patterns and then gradually determine what is legitimate and desirable.
- At the organizational level, this would involve setting up ratios more focused on budget management, to first **identify internal trends and patterns and then define optimal functioning.**

This might include efficiency ratios focused on budget management (e.g., by type of project); another indicator at organizational level could be the coverage of the average HR cost in relation to the average budget managed. The analysis of the weight of other costs (e.g., travel expenses) on the managed budget could also be considered.

- For projects with the same method of implementation / theme / geographical area and especially similar results indicators, it may then be useful to **calculate the use of resources to achieve a given result**. In this way, we focus on **generating results as a measure of efficiency**, instead of / in addition to levels of budget consumption and activity execution.
- Similarly, a **comparative analysis of mandate's budget against what is used** could be useful to further understand the reasons for deviations, different distribution of resources and unused balances.

Sustainability and impact at the heart of the intervention: defined from the start, monitored and measured

- ADA's commitment to measuring the impact of its projects is palpable and likely to fully bring results in the new PDO, although the systematization is not yet complete.
- With particular attention to **projects that have been renewed for more than one mandate**, it would be interesting to carry out an **impact assessment - or at least of the effect contributed - and sustainability obtained**.
- During the identification and design phases of new projects, it is crucial to be clear on the **desired result**. This should be associated with a definition of the starting situation (e.g., baseline, and in any case a solid analysis of the context and needs) in relation to the targeted results (e.g., specific objective of the project).
- The results will be then **associated with result and effect indicators**, as far as possible homogeneous. Such aspect will be even more important for multi-year and multi-mandate projects, where it would be particularly interesting to be able to observe the long-term effects.
- Once this initial situation has been established, dedicated studies could be launched to assess the long-term effects of ADA projects, on specific projects or on themes (e.g., youth, agricultural chains); these would have a great added value in the appreciation of the intervention of ADA.

Conclusions

Compared to the previous mandate, ADA is clearly a more solid organization in terms of strategic, technical and operational capacities. The displayed competencies to put in place the current PDO, as well as the multiple improvement, capitalization, and strategic reflection projects, lay the foundations for an even more ambitious future development, both in terms of expected results and in terms of innovation and positioning.

The evaluation has allowed to observe a relatively large sample of projects, showing a good overall coherence with the priorities of Luxembourg Cooperation, and with those established by the agreement MFEA-ADA and by the PDO itself. ADA's projects provide a relevant response to some of the main key development themes in inclusive finance and are potentially relevant to the end beneficiaries, while being in some cases improvable in terms of needs' assessment. The effectiveness of ADA's intervention is undeniable when it is judged based on the number and variety of projects carried out, their alignment with the PDO's results, the technical and operational skills deployed, the capacity to experiment and capitalize, but also the appreciation received from the partners. Yet, as of today, a quantitative measure of the overall effectiveness of ADA's operations remains difficult to perform. The use of resources seems adequate in consideration of the nature and typology of the interventions; but a more analytical

approach would also be desirable to support decision-making. Sustainability and impact have become increasingly important topics during the current PDO, and their centrality must be consolidated.

The evaluation confirms the central role of ADA within the Luxembourg Cooperation, as an expert actor in inclusive finance, a knowledge catalyst, with a strong vocation to implement diverse projects by themes, partners, and deployment modalities. The multidisciplinary approach is certainly a resource, but it must be framed by a solid and shared theory of change, enabling the best use of the available resources and skills, while prioritizing the topics of intervention.

In conclusion, once its strategic positioning has been consolidated based on clear priorities, and once the ongoing operational strengthening is completed, the evaluation indicates that ADA is ready to increase its added value within the intervention of Luxembourg Cooperation in inclusive and innovative finance, also contributing to the promotion of Luxembourg's image as a centre of excellence.