

# EVPA CoLab AWARD

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## INNOVATION LABS: A COLLABORATIVE APPROACH FOR MORE IMPACT AND INNOVATION IN INCLUSIVE FINANCE

Submitted by ADA, Luxembourg

This practice aims to strengthen collaboration between internal teams and to boost an innovation dynamic within the organisation in order to increase the impact of our actions (which combines donor funding projects and public-private investments). In concrete terms, it consists in setting up structured collective thinking spaces on ADA's key themes which:

- Encourage the sharing of experience/knowledge between the collaborators of different units to feed a collective reflexion (learning organisation);
- Strengthen our methodological approach (using Theory of Change and Client-Centric concepts) to define our interventions and better address the needs of vulnerable populations.
- Clarify ADA's strategic positioning on its key themes allowing to strengthen internal coherence as well as to better communicate with funders and potential partners including investors.
- Stimulate the emergence of innovative projects on an on-going basis and with a strong focus on impact.

See Annex 1 attached, a brief description of the concept.

### BACKGROUND

A. Which **type of organisation** are you (tick all that apply)?

- An Intermediary: an advisory, capacity building organisation or research organisation supporting capital providers, impact delivery organisations and other stakeholders and/or enhancing knowledge in the impact economy.
- A Market builder: a network and movement aiming at strengthening the impact economy ecosystem.

B. Please briefly summarise your **mission**.

ADA (Appui au Développement Autonome) is a non-governmental organisation created in 1994 in Luxembourg co-financed by the Luxembourg Development Cooperation. For more than 25 years, ADA has been committed to inclusive finance in order to help the most vulnerable populations excluded from traditional banking channels to access financial services and improve their living conditions.

Its core work aims to enable its target populations to access adapted solutions by strengthening the autonomy and capacity of microfinance institutions (MFIs) or other financial intermediaries (FinTechs, local banks, etc.) and by facilitating partnerships with non-financial service providers. ADA also assists governments and regulators to support and structure the inclusive finance sector at the regional and national levels. Finally, it is the fund advisor of the Luxembourg Microfinance and Development Fund (LMDF sicav, a regulated impact investment fund of €45m

- C. Which of the **use cases** does your practice(s) apply to? Please tick all that apply!
- Social innovation in public services / with public authorities
  - Building impact (investing) ecosystems
  - Public – private (blended) financing vehicles and mechanism
- D. Which **system practice field(s)** does your practice apply to? Please select the most relevant (max three).
- Strategy design
  - Management, learning & adaptation
  - Collaboration
  - System leadership & governance
- E. Please give us a brief background 1) what motivated you to act and who initiated the practice(s), inside or outside your organisation, and (if applicable) 2) describe the event that triggered your engagement.

The design and launch of the Innovation Labs practice has been motivated by the following reasons:

- Need to strengthen synergies between technical assistance projects (subsidy) and investments (debt);
- Willingness to encourage innovation within the organisation;
- Willingness to better address the target populations' needs by integrating the Theory of Change and Client-Centric concepts;
- Need to clarify ADA's positioning and strategy for the coming years;
- Willingness to empower staff as well as to involve staff in the change and in the definition of the new strategy in order to foster ownership and buy-in (evolving from a top-down approach to a bottom-up approach for strategy definition)

The practice was initiated by the Innovation advisor in collaboration with the R&D team who designed the methodology. The Direction was also involved in the design and the implementation of the methodology.

## THE PRACTICE(S)

- F. Briefly **analyse the situation before you introduced the practice**. What contributed to maintaining the status quo and producing (undesirable) results, e.g. resources (or lack of resources), rules (informal and formal), roles (relevant actors from the public, private and social sector, their legitimacy or effectiveness) and/or the kind and quality of relationships (informal and formal cooperation, power dynamics, information flows).<sup>1</sup>

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<sup>1</sup> See more details on using the 5R framework (Results, Ressources, Rules, Roles, Relationships) for systems analysis for example here Ashoka [Online Guide on System Change, part 3](#) <sup>1</sup> based on USAIDs Programm Cycle.

Before we introduced the Innovation Labs practice, the organisation faced the following constraints:

- Silos within the organisation: After ten years of growth, the various teams of the organisation were working in silos. This was creating overlaps, lack of efficiency, missed opportunities, lack of innovation. This was particularly the case between the “investment team” and the “project team” which led to limited synergies between them.
- Need to unlock the potential: Recognized as a relevant actor within the inclusive finance sector, the organisation wanted to unlock the potential in order to bring projects at a larger scale as well as to evolve from a focused inclusive finance approach towards a broader sustainable development approach.
- Top-down strategic process: At that time, the strategy of the organisation was mainly defined through a top-down process mainly driven by the board and the management. This created limited buy-in of the strategy by the staff and contributed to increase the staff turnover.
- Lack of harmonized methodologies and limited impact measurement process: To emphasize the demonstration effect of some projects and inspire other players from the inclusive finance sector, it was important to strengthen internal methodologies as well as integrate a more robust impact measurement process, in line with the Sustainable Development Goals.
- Lack of knowledge and expertise: in order to develop new innovative projects and better address the needs of the final beneficiaries, it was necessary to strengthen the knowledge of the project officers and to empower them in the search for relevant information on the priority topics of the sector. Lack of creativity due to lack of spaces dedicated to think out of the box.
- Lack of initiative tacking to develop new projects due to a lack of strategy and a culture of “validation by the management”.

These elements had consequences on the collaborations with external partners since the strategic orientations of the organisation were not clear enough and therefore not easy to communicate clearly to external partners. In order to evolve, it was important for the organisation to create a dynamic for change which has been instigated with the Innovation Labs.

G. Please describe the **actual results** you sought to achieve with your practice, **the parameters you sought to influence most**; roles, relationships, rules, and resources and how?

- More collaboration and synergies between teams in terms of sharing of experience/knowledge and making links between different projects on the same theme. Ex: links between investment activities and technical assistance projects which enable sustainability and massification of the solutions developed.
- Emergence of new projects which build on the experience and synergies of the different teams including investment team and project team. Some examples are F2.0 (Farmers 2.0, a digital platform for Farmers on Africa combining the provision of agriculture input, funding as well as access to markets) or YES-FI (Young Entrepreneurs Sustainable Finance Initiative which combines non-financial support and adapted funding to young entrepreneurs in order to prepare them to reach investors, etc.).
- Internal methodologies have been harmonized (theory of change, client-centricity approach, two-pager proposals, strategic orientation notes, etc.).
- More implication of the staff in the definition of the strategy and operational development plan, through the collaborative thinking on key topics. This implied a spontaneous buy-in

of the new strategic orientations by the staff and allowed a better communication towards partners and funders. Furthermore, it facilitates the interaction with strategic partners (project implementation partners, funders as well as investors) about vision and strategic orientation.

- Empowering project officers to acquire new knowledge on priority themes and to use lessons learned in new projects.

The Innovation Labs practice has been extended for the elaboration of a more concrete prospection methodology. Called “Prospection Labs”, it uses the same collaborative process as the Innovation Labs but with a focus on prospection to identify innovative solutions and new partners which facilitates the emergence of concrete project proposals.

*See Annex 2 - An internal evaluation of the Innovation Labs practice*

- H. Please describe the **intended results** you sought to achieve with your practice and **the parameters you sought to influence most** – if considerably different from the actual results described above.

Initially launched on a specific topic, the Innovation Labs practice has become an inspirational process for further collaborative work within the organisation as well as with external partners. For example, it became a major collaborative practice in the preparation of the future Operation Development Plan of ADA which clarifies its major strategic orientations. It is certainly a useful practice to stimulate collaborations but, in some cases, it did not sufficiently (or quickly enough) contributed to the emergence of new practical projects. This is the reason why Prospection Labs have been initiated.

- I. Please specifically explain the **role other actors and collaboration played** in this practice (if not the main practice itself) and insert a figure that illustrates the main stakeholders and partnerships that play a role in the practice you are presenting here.

The emergence of the YES-FI (Young Entrepreneurs Sustainable Finance Initiative) is a practical example of the use of the Innovation Labs practice. Initiated internally, it has progressively integrated external partners (most of them being new potential partners of ADA). Indeed, both in Central America and in West Africa, a diversity of actors including incubators providing non-financial services to entrepreneurs, financial institutions, private investors as well as market players have been involved in the design of the YES-FI pilot project currently implemented in six countries.

*See Annex 3 the illustration of the YES-FI concept.*

## YOUR INSIGHTS

As described above, the Innovation Labs practice had more influence than initially expected. It has been used in various situations by the organisation with the aim to boost innovation and collaborative work, mainly internally and to some extent involving external partners.

The main challenges encountered were:

- the application of the new methodologies by the teams like the theory of change. This was overcome thanks to the methodological support provided by the R&D project officers to the teams.
- the involvement of the innovation lab leader in terms of time to maintain the dynamics of the meetings, to facilitate contributions from teams between meetings and to formalise the expected results. This was overcome thanks to the support of the R&D team following up

the progress of the innovation labs. The support of the management was also essential, notably through the valorisation of the results in the definition of the new strategy. Currently, it is still a work in progress (as part of a dynamic of change) and it takes much more time than expected to generate tangible results. In order to move further, a key recommendation would be to have appropriate people to lead an Innovation Lab (having vision, collaborative sensitivity, leadership and sufficient time to dedicate). In addition, clear and realistic target as well as limited duration are also critical elements to take into consideration. Finally, to encourage teams to get involved in such a collaborative dynamic, it is important that they perceive a direct interest in their work and that the results are valued and exploited internally.

## FURTHER RESOURCES

- Annex 1 - A brief description of the concept of Innovation Labs (PowerPoint format)
- Annex 2 - An internal evaluation of the Innovation Labs practice
- Annex 3 - The illustration of the YES-FI concept.

## CONTACTS

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