PROMISING EXPERIENCES

ada

Credit: Chris Schwagga

Promoting agroforestry among smallholder farmers

through tailored financial products and capacity building services in Rwanda

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Objective of the document

This document presents the experience of ADA, Inkunga Finance and CIFOR-ICRAF in **piloting an innovative agroforestry finance product in Rwanda.** Its purpose is to showcase how financial and technical solutions can be effectively combined to enable smallholder farmers to adopt sustainable land-use practices.

The document is primarily intended for Microfinance Institutions (MFIs) interested in exploring green finance opportunities, as well as donors and development partners seeking to support MFIs in designing and scaling inclusive financial products.

Through a practical case study we share the results, lessons learnt and challenges of the Rwanda pilot. The intention is to inspire and inform other MFIs by highlighting what worked well, what required adaptation and the essential conditions for success. Our goal is to demonstrate that agroforestry finance is feasible and impactful as long as it responds to farmers' realities, aligns with MFIs' operational capacity and benefits from a supportive policy framework.

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1. Why invest in agroforestry as a local (Micro)finance institution ?

Agroforestry is a land-use management system in which trees and shrubs are deliberately integrated with crops and/or livestock on the same unit of land in some spatial or temporal arrangement, to sustain production while delivering ecological, economic and social benefits.[1]

It is increasingly recognised as a high potential solution for smallholder farming systems. Farmers with limited plots of land often face a difficult balance: prioritising crops and livestock to secure immediate food and income, while this pressure leaves little space for preserving trees and ecosystems that are vital to their long-term resilience. **Agroforestry offers a way to balance these competing demands by integrating productive activities with the preservation of natural resources, thereby supporting climate resilience, land restoration and rural development.** In this context, ADA and the Microfinance Institution Inkunga Finance Plc, in partnership with the technical organisation CIFOR-ICRAF, launched a pilot initiative to support agroforestry through adapted financial products and capacity building services.

Agroforestry represents a strategic investment area because of its cross-cutting benefits:

for smallholder farmers,

- it can help **increase farm productivity, diversify and increase income sources** and **improve household resilience** to external risks, such as climate change and environmental degradation.
- It can also **improve food security** and long-term sustainability.

for local economies,

- **agroforestry can strengthen rural value chains,** especially for tree-based products like fruit, timber, fodder, biomass for energy.
- It can **create jobs, stimulate local entrepreneurship** and **promote women's participation** in economic. activities.

for the environment,

- by **restoring degraded land, improving water retention and soil fertility,** and **enhancing biodiversity,** agroforestry can contribute to the sustainable use of natural resources and
- **supports climate change adaptation and climate action.**

1 Definitions according to Atangana et a. (2013), Definitions and Classification of Agroforestry Systems. In: Tropical Agroforestry. Springer, Dordrecht. https://doi.org/10.1007/978-94-007-7723-1_3 and CIFOR-ICRAF, Online Resource What is Agroforestry? https://www.cifor-icraf.org/agroforestry, last accessed on 30/09/2025.

2. Investing in agroforestry in Rwanda: the project

2.1. Project features

Recognising the multiple benefits of agroforestry, from 2023 to 2024 a pilot project was carried out to assess if and how the opportunities of agroforestry could be translated into marketable services that support adoption by smallholder farmers and Small and Medium Enterprises (SMEs).

The project

combined several complementary components:

- **Financial product** development in collaboration with a local MFI: the product demonstrates strong flexibility through its conditions — including a wide range of repayment options and loan amounts — allowing it to align with farmers' needs and cash-flow cycles and to support investments in tree planting, agroforestry systems, and complementary farm activities.
- **Technical support and capacity building,** providing farmers with the knowledge and skills needed to implement agroforestry practices effectively, while fostering the development of local value chains.
- **Continuous learning** and capacity building of the financial institution in market research and product development.

The approach

was structured to address several key barriers commonly observed in similar contexts:

- **Limited knowledge and capacity** of the financial sector to seize the potential of agroforestry as an investment opportunity.
- **Absence of adequate financial services** for farmers that may align with farmers' context and the timelines and returns of agroforestry investments.
- **Limited access to seedlings of quality and to technical knowledge** on sustainable tree-based farming systems, including species selection, farm design and ecosystem management.

By designing interventions around these barriers, the project was collaboratively implemented by the three partners and generated actionable lessons for developing replicable and scalable models that integrate financial and technical solutions to promote agroforestry adoption.

2.2. The project partners and their responsibilities

Partner	Overview	Role in the project	Project responsibilities
Inkunga Finance	Deposit-taking MFI serving ~27,000 clients across eight districts, mainly smallholder farmers. Gross loan portfolio RWF 6 billion (~EUR 4.5M). Offers agri-loans, business loans, transport loans and green loans tailored for smallholders, small-scale forest owners and forestry SMEs.	**Leads the development, delivery, and scaling of financial services** to support agroforestry adoption among smallholder farmers and SMEs. The institution has played a pioneering role in adapting loan appraisal and management methodologies to integrate agroforestry viability, including climate risk assessments, portfolio-at-risk (PAR) monitoring, and the alignment of repayment schedules with farmer cash flow cycles.	✔ Develop, refine and deliver a financial product for agroforestry adoption. ✔ Support farmers through financial education and loan application assistance. ✔ Recruit, train and supervise lead farmers for farmer mobilisation and Training-of-Trainers (ToT) model implementation. ✔ Adapt the loan lifecycle processes and tools and track financing. ✔ Enhance access to finance for women. ✔ Implement post financial monitoring systems and risk-reduction mechanisms.
CIFOR ICRAF	Research and development center (member of the CGIAR[2] consortium) specialised in agroforestry and forest management. Active in Rwanda since 1989. Provides technical expertise and capacity building for sustainable agroforestry adoption.	**Knowledge and technical partner** providing guidance, training and expertise to ensure successful adoption of agroforestry systems and supporting the development of monitoring tools (including farmer field data collection and digital-based reporting systems) to embed agroforestry metrics into financial reporting.	✔ Define suitable agroforestry combinations and models. ✔ Train Inkunga management and staff on agroforestry systems. ✔ Contribute to the set-up of a sustainable capacity building model: ToT model, identify and build capacity of lead farmers as field trainers. ✔ Increase awareness among local communities. ✔ Ensure continuous learning and follow-up training of lead farmers. ✔ Facilitate access to quality seedlings and inputs.
ADA	Luxembourgish Non-profit-organisation that strengthens the autonomy of vulnerable people in Africa, Central America and South-east Asia by leveraging inclusive finance to improve their living conditions. It focuses on strengthening agricultural and forestry value chains as one of its key priorities.	**Project coordinator**	✔ Coordinate and oversee project implementation. ✔ Technical Assistance for the development of financial and capacity building services. ✔ Facilitate and organise the collaboration between Inkunga Finance and CIFOR-ICRAF. ✔ Monitor and report on progress and outcomes. ✔ Facilitate knowledge management and sharing between partners and towards the financial sector.
Lux-Development	Luxembourg's development cooperation agency.	**Financial and strategic partner**	Since the beginning of 2025, building on the positive results achieved during the piloting phase, LuxDev is now supporting the project with financial resources and strategic advice, as part of a larger cooperation project[3].

2 Consultative Group on International Agricultural Research

3 LuxDev. RWA/028 , Sustainable forestry and efficient renewable energy for improved livelihood (SFERE, 2024-2029). Project in execution. https://luxdev.lu/en/projects/sustainable-forestry-and-efficient-renewable-energy-improved-livelihood-sfere, last accessed on 30/09/2025.

3. The approach

The project followed a farmer-centred and value-chain informed approach to support the adoption of agroforestry among smallholder farmers. The objective was to enable households to generate more stable and sustainable incomes through well-designed tree-based production systems. **The intervention was built on two complementary pillars:**

Financial inclusion for agroforestry adoption

supporting access to finance and making tree-planting financially accessible for smallholders.

Integrated technical assistance

ensuring that agroforestry systems were technically sound, climate-resilient and aligned with market opportunities.

To ensure that agroforestry adoption was both technically viable and financially accessible, the project was implemented using a phased methodology that combined participatory **stakeholder engagement, market insights and technical expertise:**

Phase 1

Building knowledge and identifying opportunities

Establish a learning environment between the MFI and an agroforestry technical partner with expertise in seedling quality assessment and access to local seedling providers.

Identify and evaluate economically viable agroforestry models for smallholder farmers through stakeholder consultations, field diagnostics, and market studies, leading to the selection of suitable tree–crop combinations adapted to local environmental and economic conditions.

Phase 2

Co-developing and piloting financial product

Carry out a robust market analysis integrating direct feedback from potential clients to capture their needs, preferences and constraints. Involve farmers early to ensure a genuinely client-centered approach and strengthen the co-development of financial products. Alongside this, provide tailored technical support and implement a ToT model to facilitate peer-to-peer knowledge transfer among farmers.
Assess possible risks of agroforestry financing and identify relevant mitigation measures.

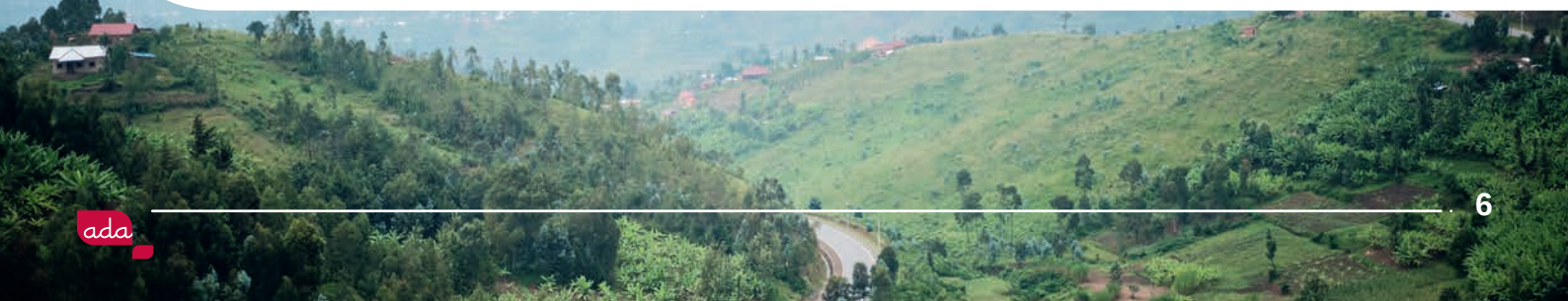
Design and Pilot the loan product to align with farmers' cash flow cycles and agroforestry investment timelines. The MFI approved a budget to test and evaluate the product in a pilot phase with a limited number of clients.

Phase 3

Scaling and strengthening solutions

Reinforce the MFI's institutional capacity, refine financial and technical approaches based on pilot results, establish strategic partnerships, and prepare for broader replication across districts.
Inkunga has also embedded climate-risk early-warning signals based on experiential knowledge and anticipatory behaviour into the loan appraisal process and analyses.

This phased methodology enabled the project to test, learn and adapt, ensuring that agroforestry adoption was not only financially viable and technically sound, but also socially acceptable for smallholder farmers and their communities.



Phase 1

Building knowledge and identifying opportunities

Defining viable agroforestry models

The first step of the project focused on designing agroforestry models that were both environmentally relevant and economically viable. This implied an **assessment of local farming systems, market dynamics and environmental challenges** across two distinct agro-ecological zones: the lowlands (Eastern Savannah, Eastern Plateau, Central Plateau) and the highlands (Buberuka, Volcanic Highland, Congo-Nile Crest).

Using the FarmTree cost-benefit analysis and decision-making tool[4] **four models were defined by an agroforestry expert consultant,** combining crops, shrubs and trees in ways that maximise productivity, environmental benefits and income potential:

Lowland Models

***Model L1* Fruit-based agroforestry system:**
integrates fruit trees into farms to improve nutrition and generate income from surplus produce.

***Model L2* Wood and fodder agroforestry system:**
focuses on timber, fodder and fuelwood production to meet household needs, stabilise soils, control erosion, and support diversified livelihoods.

Highland Models

***Model H1* Fruit-based agroforestry system:**
designed to enhance nutrition and income generation through fruit production, while allowing farmers to adapt investments to their land and resources.

***Model H2* Wood and fodder agroforestry system:**
integrates trees to provide wood products, improve soil fertility, regulate moisture and reduce erosion, thereby enhancing farm productivity and landscape resilience.

Each agroforestry model was assessed under various scenarios to accommodate different farmer objectives and capacities, showing that both fruit-based and timber/fodder models were financially viable while delivering strong environmental benefits.

4 FarmTree, online. The FarmTree® Platform to quantify and project. agro-forestry performance https://www.farmtree.earth/ Last accessed on 30/09/2025.

Assessing financial feasibility

Building on these models, an assessment was conducted with **the objective of answering a central question: can agroforestry be realistically financed through microcredit?** This involved analysing farmers' practices, perceptions, investment capacity and repayment potential. It also explored how agroforestry revenues align with loan cycles and what types of complementary support, such as training, subsidies or access to quality seedlings, would be needed to make adoption both attractive and viable for smallholders.

The financial analysis revealed that the two Highlands models were the most promising for smallholder financing. Both demonstrated rapid amortisation (around one year in most scenarios) and strong Debt Service Coverage Ratios (DSCRs) indicating robust repayment capacity. These models also promise the highest income potential, with H2 projecting up to USD 100,000 over six years.

To assess viability, a lending risk assessment matrix was used, covering loan size, amortisation period, DSCR, farm income, market conditions, farmer training needs and environmental impact. The matrix approach, with its colour coding, provided a clear snapshot of each model strengths and weaknesses, and allowed Inkunga Finance to assess them.

This laid the **foundation for the proposed loan term sheet for pilot testing agroforestry loans** with Inkunga Finance, ensuring loan conditions demonstrate flexibility to respond to farmers' seasonal cash flows, risk levels and technical support needs.

Key takeaways from this dual-study approach

Looking back, the process could have been streamlined. Running agroforestry model design and financial feasibility testing as a single integrated market analysis would have saved time and allowed earlier engagement of farmers and the financial institution.

For MFIs considering similar innovations, three lessons stand out:

Start with farmers: design models around farmers actual priorities, capacities and market opportunities rather than theoretical assumptions.

Engage the MFI from the outset: working together on the diagnostic phase builds ownership, ensures product design matches institutional realities and accelerates decision-making.

Integrate agronomic and financial perspectives: assess both agronomic and financial viability together, to build a credible investment case for agroforestry finance.

In practice, this means MFIs should not only test whether agroforestry can be financed but also whether it can be implemented at scale with the right mix of financial tools, technical support and risk-sharing mechanisms.

Phase 2

Co-developing and piloting financial product

MFI's Market research, product design and piloting

At this stage, Inkunga Finance became an active stakeholder: first informed about the agroforestry models, then directly engaged in reviewing results and eventually conducting its own market study to confirm demand and guide product design.

Following good practices in inclusive product development, **the process was structured around several key steps:**

Market research with client centricity: gathering insights from potential clients to identify demand, understand farmers' constraints and needs and capture specificities linked to sustainable and resilient agroforestry practices.

Value chain analysis: assessing agroforestry-related value chains with potential for expansion, identifying interdependencies with other actors and possible strategic partners.

Financial feasibility and portfolio sustainability: translating market insights into an investable product by balancing client needs with institutional requirements, ensuring viability through a clear portfolio financing plan.

Risk analysis and mitigation: assessing credit and operational risks, designing measures such as subsidies, risk-sharing or training to reduce both farmer and institutional exposure.

To better understand these dynamics, the study gathered detailed insights from farmers themselves, highlighting both their interest in agroforestry and **the main challenges they face:**

Strong interest in agroforestry

69%

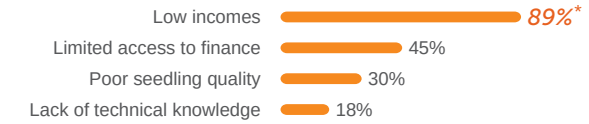
of farmers were already practicing some form of agroforestry...

...while over

60%

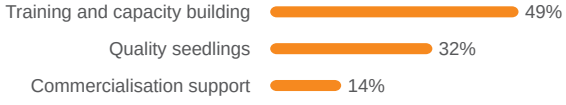
demonstrated good awareness of its benefits.

Major constraints



Farmer priorities

Complementary needs



* Earning less than RWF 1 million/year.

These findings confirmed that **farmers are willing to invest in agroforestry but lack the financial and technical means. Affordable and flexible loans, combined with subsidies, training and market support** emerged as key enablers for adoption.

Building on this, a prototype financial product was developed through a co-design workshop with Inkunga Finance, ADA and CIFOR-ICRAF. This participatory process allowed the partners to jointly translate farmers needs into key product features while ensuring alignment with institutional policies and financial sustainability.

The Ongerigiti loan product ("add a tree")

was launched by Inkunga Finance in late 2024, piloted in the Western Province of Rwanda, in Karongi and Rutsiro Districts, and later expanded to Rubavu District in 2025.

Key features of the product:

Dual purpose design:
finances both **short-cycle crops** (beans, maize, potatoes) and **tree planting.**

Reduced interest rate:
17% instead of the average 22% applied to agricultural microcredit.

Clear, yet flexible credit use conditions:
credit can be used for **working capital** in agroforestry activities, including operational expenses such as the purchase of seedlings, hiring machinery or equipment, buying fertilisers, pest management, security services, labour for land preparation, and land acquisition for agroforestry projects.

Flexible repayment scheme:
aligned with seasonal crop and other household income, and thereby not necessarily depending on tree yields, **improving affordability** and cash flow management for farmers.

Adaptable loan amounts and term options:
among the loans disbursed to date, the average loan amount is RWF 1,318,800 (≈ EUR 782) and the average loan period is 17 months. The loan product allows for loan amounts ranging from a **minimum of RWF 300,000** (≈ EUR 178) to a **maximum of RWF 5 million** (≈ EUR 2,965), with a **maximum tenor of 48 months.**

The loan product demonstrates flexibility to accommodate diverse agricultural and agroforestry financing needs with the option of **longer repayment horizons** to better match the longer timelines associated with direct returns from tree derived products. Training loan officers was essential to ensure they could assess farmers' situations and tailor the product's conditions accordingly.

Developing agroforestry finance also required **risk-sharing mechanisms** to offset upfront costs for training, technical support and product development.

In the pilot:

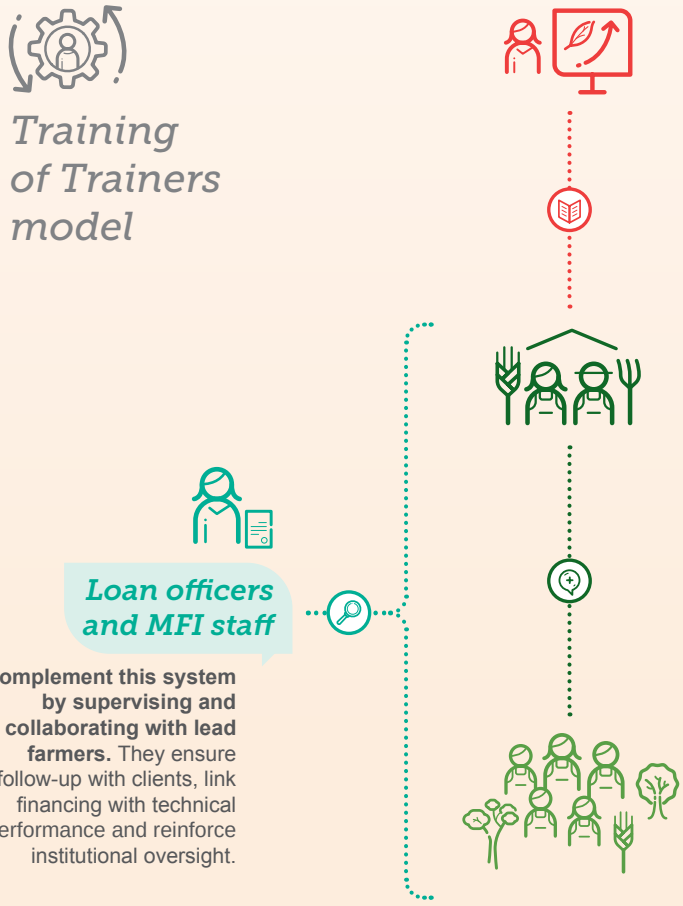
- **ADA subsidised 50% of seedling costs and reduced interest rates,** lowering entry barriers for farmers while mitigating institutional risk.
- **CIFOR-ICRAF provided technical design, farmer training, and monitoring tools** to track key indicators such as tree survival, growth, soil fertility, biodiversity, crop yields. These metrics not only help refine the financial products but also demonstrate the broader value of green finance beyond repayment performance.

Finally, Inkunga Finance defined a reasonable target of 30 pilot clients and allocated a fixed portfolio investment for the piloting phase, balancing ambition with prudent risk management. This pilot covered the first year and the first planting cycle.

Design of capacity building and support services for farmers

To ensure the successful implementation of the agroforestry models, **technical assistance was embedded into the financial offer.** The project has adopted a **Training of Trainers (ToT) model,** designed to progressively transfer knowledge and responsibility to local actors and ensure continuity beyond the project duration.

Training of Trainers model



CIFOR-ICRAF

acts as the central knowledge partner, developing agroforestry content and guidelines. It delivers **monthly training and coaching sessions** to both lead farmers and Inkunga's loan officers, ensuring alignment and quality standards. In addition, CIFOR-ICRAF plays **a key role** in facilitating **access to quality seedlings** and verifying their standards, addressing one of the main barriers identified by farmers.

Lead farmers, contracted by Inkunga,

are themselves implementing agroforestry on their own farms, which positions them as **role models in their communities.** Selected for their practical know-how in agroforestry they act as local ambassadors and intermediaries. **They mobilise smallholders, conduct regular farm visits, advise on tree planting and maintenance, monitor practices and collect farm-level data.** They also organise community engagement sessions and escalate technical queries when needed. Over time, lead farmers are expected to become fully autonomous service providers.

Smallholder farmers

adopt agroforestry practices, participate in training sessions and farm visits organised by lead farmers and ICRAF technical experts, and share data to guide decision-making and adjustments.

Loan officers and MFI staff

complement this system by supervising and collaborating with lead farmers. They ensure follow-up with clients, link financing with technical performance and reinforce institutional oversight.

The goals of the model were to:

- **Build self-sufficiency so that Inkunga,** its staff and its network of lead farmers can independently manage agroforestry financing, farmer mobilisation, capacity building and advisory services.
- **Institutionalise agroforestry as a core component of Inkunga's operations,** reducing reliance on external technical partners.
- **Strengthen community ownership of agroforestry practices** through peer-to-peer learning and embedded advisory services.

The ToT model was tested and refined during the pilot phase. Early lessons have already led to adjustments, which will be scaled up to strengthen the system and prepare it for broader replication across districts. By combining financial services with embedded technical support, the model creates favourable conditions for scalable and sustainable agroforestry adoption.

Phase 3

The project demonstrated the feasibility and benefits of combining financial services with technical support to promote agroforestry adoption among smallholder farmers in Rwanda. A total of **149 farmers** participated in the 2024 pilot launch of the financial product, **55% of whom were women,** reflecting deliberate efforts to promote gender inclusion. The microfinance institution **disbursed RWF 100 million** (~USD 70,000) in agroforestry loans, and participating farmers **collectively planted over 21,000 trees.**

Current monitoring shows that on average participating farmers have **already repaid around 80% of the amounts disbursed,** even though most loans are still active. This indicates strong ongoing repayment performance. The **portfolio-at-risk (PAR30) remains at 0%,** suggesting manageable credit risk for the MFI. Technical support and follow-up visits contributed to a **tree survival rate of approximately 82%** after eight months, demonstrating the positive impact of providing agronomic guidance alongside financial services.

The repayment performance (80% at pilot) demonstrates that tailored products can perform on PAR with - or even better than - conventional agricultural loans when paired with structured technical assistance.

These results confirm that, with appropriate design and support, credit products can effectively facilitate agroforestry adoption. They also demonstrate that farmers are willing to invest in tree-based systems when they perceive clear economic and environmental benefits and are supported by trusted institutions.

Scaling and strengthening solutions

Building on the positive results achieved during the piloting phase, Inkunga Finance obtained financing through the Financing Innovation Tool (FIT), an impact oriented financing facility, to scale agroforestry adoption among its smallholder clients.

In parallel, The Luxembourg development cooperation agency is now supporting the project with financial resources and strategic advice as part of its larger cooperation project Sustainable Forestry and Efficient Renewable Energy for Improved Livelihood (SFERE, 2024–2029). This provides a strong foundation for expanding outreach and embedding agroforestry into long-term institutional practice.

Phase 3 therefore focuses on:

Reinforcing Inkunga's institutional capacity and internal systems for agroforestry lending.

Refining financial and technical approaches based on pilot results.

Establishing new strategic partnerships (financial partners, value-chain actors and technical partners).

Preparing for broader replication across additional districts.

4. Lessons learnt and considerations for replication

This project demonstrated that agroforestry finance can be viable and impactful when financial products and support systems are adapted to farmers' realities. While agroforestry provides long-term environmental and economic benefits, it also requires upfront investment, adequate technical guidance and financing structures that reflect smallholder cash flows and constraints.

The project confirmed that it is both technically and financially feasible to design loan products suited to agroforestry investments. Aligning repayment schedules with farmers' seasonal income patterns and longer-term returns significantly increased uptake. The agroforestry loan was perceived as viable, attractive and meaningful by both farmers and the MFI, providing a strong foundation for replication and scale-up.

The experience gathered throughout the project allowed to identify several considerations that are essential for scaling and replication:

For MFIs

- **Assess the enabling environment**
  Consider whether national policies, institutional support and local agroforestry initiatives are conducive to tree planting and long-term adoption. Avoid launching initiatives in contexts where the regulatory or institutional framework may limit success.
- **Build internal ownership gradually**
  MFIs should first develop a thorough understanding of agroforestry systems and market potential, ideally in collaboration with a trusted technical partner. Experience from the pilot shows that ownership increases through close collaboration with technical partners and field engagement.
- **Engage agroforestry expertise**
  Partner with experts to assess farmer priorities, local farming systems, environmental constraints and market opportunities. Recognise that agroforestry and financial product design require distinct skill sets and that external technical expertise is essential for species selection, monitoring and follow-up.
- **Invest in capacity building**
  Strong training and support services for both staff and clients are essential to ensure processes are adapted to local agroforestry cycles. This includes aligning loan disbursements with seasonal planting windows.

For donors and support organisations

- **Support gradual institutional ownership**
  Encourage MFIs to internalise agroforestry knowledge over time while leveraging complementary expertise from technical partners.
- **Facilitate de-risking and experimentation**
  Use subsidies, blended finance, or partial guarantees to lower entry barriers for MFIs during pilot phases and reduce the risks associated with innovative financial products.
- **Promote multi-stakeholder partnerships**
  Facilitate collaboration between MFIs, technical partners, authorities and market actors to ensure that products and support services reflect local realities and farmer needs.
- **Support environmental and social integration**
  Help MFIs define and collect key environmental and social indicators and integrate them into performance frameworks to mobilise financing and track impact.

Sustainability and technical considerations

- **Technical assistance and capacity building**
  Partner with experts to provide technical guidance tailored to farmer needs. This includes expertise on species selection, field follow-up and co-design of models that fit existing farming systems. Support local institutions in progressively developing this knowledge internally for long-term sustainability.
- **Environmental monitoring**
  Define and collect key environmental indicators (climate vulnerability, biodiversity, carbon sequestration) and integrate them into MFI performance frameworks to support financing and decision-making.
- **Digital tools and methodologies**
  Evaluate and select digital tools that simplify data collection, monitoring and farmer engagement while reducing long-term operational costs.
- **Strengthen nurseries and planting material supply chains**
  Assess local access capacity to seed and seedling quality and potentially address recurrent challenges by supporting the development of local nurseries and reliable seed systems.
- **Promote native species and ecological resilience**
  Encourage the use of native species that enhance biodiversity and landscape resilience, and engage farmers and financial actors in a dialogue about the trade-offs between fast-growing exotic species and long-term sustainability scenarios.
- **Forestry value chain development**
  Assess the potential for timber and other forest products beyond firewood to generate higher incomes for small producers and enhance the economic viability of agroforestry systems.
- **Coordination and implementation pace**
  The pilot followed a step-by-step approach, requiring substantial time for studies and analyses. This experience highlights the persistent challenge of ensuring effective communication and alignment between partners. Future replication should explore ways to accelerate implementation without compromising the quality of engagement and mutual understanding between partners.
- **Regulatory alignment and sustainability standards**
  Replication should align with evolving national and international regulations and policy on climate and ESG integration. Anticipating requirements from financial regulators (such as disclosure standards and climate-related risk management) can strengthen institutional credibility and support long-term sustainability.

5. Perspectives

Building on the results of the pilot and the strong interest from farmers and Inkunga Finance, the project is now entering a broader learning and consolidation phase that will extend until the end of 2026, supported by the Luxembourg Development Cooperation through the SFERE project (2024–2029). This provides a stable framework to deepen experimentation, strengthen institutional practices and prepare for larger-scale replication.

Over the next two years, several strategic fronts will be pursued:

1 Deepening the learning phase (2024–2026)

The coming period will focus on refining the agroforestry financing model, strengthening the integration of technical assistance within Inkunga Finance, and improving operational processes such as planning, monitoring and coordination. Discussions with LuxDev are planned for 2026 to **assess the achievements of the pilot and determine prospects for continuation and scale-up, including the possibility of expanding activities to additional provinces.**

2 Exploring the economic viability of technical support

A central question for the sustainability of the model is **the availability of funding for technical assistance for smallholders to maintain support and enable scaling.** Over the next phase, the project will assess different pathways to cover these costs, whether through improved productivity, access to innovative markets, or financing mechanisms such as carbon markets.

In this context, ADA has also initiated work on **a carbon compensation programme aimed at offering Luxembourgish SMEs a high-integrity and socially impactful mechanism to address residual emissions.** Building on the collaboration with Inkunga Finance and ICRAF, this initiative seeks to channel carbon finance directly into smallholder-led agroforestry systems. Work is underway to refine the business model, operational setup, CO2 quantification methods and Measurement, Reporting and Verification (MRV) system, with a pilot planned for the next planting season, pending finalisation of the carbon price and operational arrangements.

Another possibility is that a certain level of subsidy will continue to be required to ensure accessibility and long-term viability for smallholders. This analysis will be essential for determining how the model can be sustained beyond the project period.

***Overall, the next phase will focus on consolidating learning, testing the economic viability** of key components and **preparing pathways** for efficient operations of credit lifecycle management and ToT management. By combining finance innovation, technical expertise and emerging opportunities, the project seeks to lay the foundation for a sustainable and scalable model of agroforestry-driven rural development.*

About ADA

ADA (*Appui au développement autonome*) is a Luxembourgish, non-governmental organisation that has been increasing the autonomy of vulnerable people in Africa, Central America and South-East Asia with inclusive finance since 1994, thereby contributing to achieving the sustainable development goals.

ADA leverages its resources and expertise to innovate, support local partners, implement technical support programmes, give investment advice and manage knowledge to positively and sustainably impact targeted populations.

ADA's activities focus on three main topics: **agricultural and forestry value chains, youth entrepreneurship** as well as **access to basic services.** These activities take into account three transversal priorities: climate change, gender and the use of digital technologies.

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