UNITED NATIONS CAPITAL DEVELOPMENT FUND

Programme Document

SUPPORT TO SAVINGS-LED MICROFINANCE MARKET LEADERS TO ENTER UNDERSERVED COUNTRIES 2011– 2017 (MicroLead Expansion Programme)

Region: Global

This programme aims to contribute to the development of strong inclusive financial sectors and the achievement of the Millennium Development Goals (MDGs), particularly the specific goal of poverty reduction in half by 2015, by supporting the expansion of microfinance market leaders in underserved countries.

Programme Outcome:
The outcome by the end of the programme (2017) will be increased sustainable access to appropriate demand-driven responsible financial and non-financial products and services, with a focus on savings mobilization, to more than 450,000 low income people, at least half of whom are women and at least half of whom reside in rural areas.

Programme Outputs:
1. Sustainable Financial Service Providers (FSPs) (Greenfield/TA) providing access to demand-driven, responsibly-delivered, savings-focused financial and non-financial products and services to low income people in underserved areas;
2. Knowledge generated and disseminated among FSPs, Technical Service Providers (TSPs), policy makers, donors and other stakeholders related to savings mobilization, Greenfield operations and technical assistance provision; and
3. An efficiently-managed and evaluated programme with top talent and expertise meeting or exceeding all targets.

Programme Duration: **5.75 years**

Anticipated start/end dates: **Oct 2011- June 2017**

Total estimated budget: **$23,507,764**
Out of which:
1. Funded Budget: **$23,507,764**

2. Unfunded budget: $0

Sources of funded budget:
- Government ________
- UN Org.... ________
- MasterCard Foundation **$23,507,764**

UN organizations	**National Coordinating Authorities**
David Morrison, Executive Secretary *Signature* **United Nations Capital Development Fund (UNCDF)** *Date & Seal* 18 July 2011 Microfinance • Capital Development	*Name of LDC country representative* *Signature* *Name of Country* *Date & Seal*
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I. Acronyms

BIFSA	Building Inclusive Financial Sectors in Africa programme
CTA	Country Technical Advisor
CGAP	Consultative Group to Assist the Poor
FIPA	Financial Inclusion Practice Area
FSP	Financial Service Provider
FSDT	Financial Sector Deepening Trust (FSDT)
IC	Investment Committee
LDC	Least Developed Country
MDGs	Millennium Development Goals
MICFAC	Microfinance Capacity Building Facility for Sub Saharan Africa
MTF	Microfinance Trust Fund (formerly TECHMIFA)
OM	Operations Manual
PAR	Portfolio-at-risk
PBA	Performance-based Agreement
RFA	Request for Application
ROA	Return on Assets
RTA	Regional Technical Advisor
TA	Technical Assistance
TSP	Technical Service Provider
SSA	Sub-Saharan Africa
UNDP	United Nations Development Programme

II. Executive Summary

World leaders have pledged to "make poverty history."[1] The Millennium Development Goals (MDGs) set globally-adopted targets for reducing extreme poverty by half by 2015. For over two billion people in the world who live on less than $2 per day, access to financial products and services can directly provide the tools to protect, diversify, and increase their sources of income and to make their own economic decisions for the path out of poverty. The level of outreach by the financial sector also correlates strongly with the level of financial, institutional and infrastructure development across countries. Studies have shown that better access to finance not only increases economic growth, but also helps fight poverty and reduce income inequalities.

Poor people are active savers. But often the tools available to them do not always meet their needs. When given the option, the poor take up formal savings products in great numbers and often at greater rates than they take up other financial services. For example, Bank Rakyat Indonesia attracted 10 times as many low-income savings clients as borrowers when it revamped its savings product line[2].

In order to contribute to the development of strong inclusive financial sectors and the achievement of the MDGs, particularly the specific goal of poverty reduction in half by 2015, UNCDF began implementation of a $28 million global programme, the LDC Fund to Develop Savings-led Market Leaders for Inclusive Finance (MicroLead), in 2008 with the support of the Bill & Melinda Gates Foundation. After two and a half years of implementation, this programme has executed agreements for ten projects to seven FSPs for programming in seven countries, with an additional four projects approved and about to begin implementation in six additional countries[3]. The outcomes after two and a half years of implementation are impressive, with an increase of 300% from 2009 to 2010 in the amount of savings mobilized. The projected outreach from these 14 projects from 2008 to 2013 is an increase in (net) savers of 1.7 million with a net increase of $450 million in savings mobilized. The leverage on UNCDF funds (net change in savings mobilized divided by the UNCDF grant funding over the project implementation period) is projected to be 57 times by the end of the current programme.

Based on results to date and the high demand expressed by current and potential applicants, UNCDF has designed a MicroLead Expansion Programme. This $23.5 million programme employs a similar methodology as the existing programme with notable changes being that non-LDCs may be targeted for intervention and networks/technical services providers may apply in addition to leading southern FSPs. The Expansion Programme will reach an additional 450,000 clients over a

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[1] UN Millennium Declaration, UN Resolution A/RES/55/2 Sept 2000.
[2] Jake Kendall, 2010. *A penny saved: Do savings accounts help the poor?* Financial Access Initiative (FAI) November 2010.
[3] As of June 2011, the countries of implementation are: Bhutan, DRC, Ethiopia, Laos, Liberia, Rwanda*, Sierra Leone, Solomon Islands, Samoa, Sudan, Tanzania*, Timor-Leste, Vanuatu (*government endorsement pending).

five year time horizon and will contribute significant learning to the microfinance industry on savings mobilization. The Objectives, Activities and Outcomes Summary and Budget Overview are available in **Annexes A and B**, respectively.

III. Situation Analysis

Although microfinance global outreach has increased tremendously over the past 30 years, an estimated 2.7 billion people around the world do not use formal financial services.[4] On average, 56 percent of adults worldwide are unbanked, although the numbers differ across high-income and developing countries (17 percent and 64 percent, respectively)[5].

Poor people in the developing world are the most affected group:

- It is estimated that 3 out of 4 adults in developing and middle income countries do not have bank accounts.
- Only about 10 percent of the 2.5 billion people living on less than $2 per day have access to a bank account.
- Sub-Saharan Africa (SSA) is the least banked region in the world with 80 percent of its population lacking access to a bank account; followed by the Middle East/North Africa at 68 percent, and Latin America/Caribbean at 65 percent.
- Worldwide it is the poor, women, and rural residents who are the least banked[6].

Poor people are active savers. Research shows that the percent of income the poor consume is less than 100% with the remainder being saved or used to pay back loans. They save in cash through both formal and informal means[7]. But often the tools available to them do not meet their needs. When given the option, the poor take up formal savings products in great numbers and often at greater rates than they take up other financial services. For example, Bank Rakyat Indonesia attracted 10 times as many low-income savings clients as borrowers when it revamped its savings product line[8].

Savings accounts are in high demand by poor people. For example, in Uganda, 43 percent of people said a savings account is their greatest financial need, compared to 31 percent who cited credit[9]. The latest statistics show that savings accounts are being opened at rates up to 12:1 compared to loans even when both services are offered by the same institution. A CGAP study of six microsavings-focused

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[4] CGAP 2010, The World Bank, *Financial Access 2010: The State of Financial Inclusion Through the Crisis*. Washington, D.C.: CGAP and The World Bank, 2010.
[5] CGAP 2011, *Access to Financial Services and the Financial Inclusion Agenda around the World,* Policy Research Working Paper 5537, CGAP/The World Bank, January 2011.
[6] The Bill & Melinda Gates Foundation 2010, available at http://www.gatesfoundation.org/financialservicesforthepoor/Pages/savings-statistics.aspx
[7] Jake Kendall, 2010. *A penny saved: Do savings accounts help the poor?* Financial Access Initiative (FAI) November 2010
[8] ibid
[9] The Bill & Melinda Gates Foundation 2010, available at http://www.gatesfoundation.org/financialservicesforthepoor/Pages/savings-statistics.aspx

institutions also found rapid growth in savers. During a six-year time period, the number of new accounts rose by 87% and savings volume increased by 71% with $4.3 billion in additional savings mobilized[10].

The importance of access to financial services to poverty reduction
World leaders have pledged to "make poverty history." The MDGs set globally-adopted targets for reducing extreme poverty by half by 2015. For over two billion people in the world who live on less than $2 per day, access to financial products and services can directly provide the tools to protect, diversify, and increase their sources of income and to make their own economic decisions for the path out of poverty. The level of outreach by the financial sector also correlates strongly with the level of financial, institutional and infrastructure development across countries. Studies have shown that better access to finance not only increases economic growth, but also helps fight poverty and reduce income inequalities. According to CGAP, clients of microfinance institutions experience 25% average monthly increase in consumption and save more[11]. A strong empirical link exists between the financial sector development and poverty headcount reduction in Africa[12].

Access to financial services underpins the ability of low-income people to achieve the MDGs on their own terms in a sustainable way. Financial services enable them to increase and diversify incomes, build human, social and economic assets, and to move from everyday survival to planning for the future: they invest in better nutrition, housing, health, and education. Microfinance often specifically targets women. Financial services to poor women provide a direct, positive impact on their families, as a majority of the additional income earned is invested in family health, education and nutrition. There is strong evidence showing that the ability to borrow, save, and earn income enhances poor women's confidence, enabling them to better confront systemic gender inequities.

Building broad and deep financial sectors that promote access to finance is a practical development strategy and approach that should be implemented to achieve the MDGs. The critical importance of microfinance to achieving the MDGs was highlighted at the 2005 World Summit, as well as in the endorsement by the Summit of the Monterrey Consensus of the International Conference on Financing for Development. The Monterrey Consensus underscored the contribution that a range of financial institutions can make in providing financial services to enterprise development and calls for public and private actors to work collaboratively to provide access to all. The final declaration of the Monterrey Consensus put particular emphasis on strengthening domestic financial sectors to include underserved markets, such as rural areas and women. "This is not about transferring money from north to south or about creating a new asset class. This is about developing local financial markets that serve the majority of their citizens, developing intermediation capacity between savers and borrowers and not just transferring money for loan portfolios,…(M)ost poor households are net savers seeking convenient and safe deposits, which can ultimately fund microcredit

[10] Westley and Palomas 2010. *Is There a Business Case for Small Savers?* CGAP/The World Bank, September 2010
[11] CGAP 2010, "A Year in Review", available at http://www.cgap.org/p/site/c/template.rc/1.26.15472/?page=print
[12] Beck, Maimbo, Faye and Triki, 2011 forthcoming

activities"[13]. "The endgame, of course, is for microfinance to principally fund itself--as most retail banks do--through local deposits. Local funding is more stable and carries no foreign-currency risk. Moreover, secure deposit services are highly valued by poor people, some say far more than loans"[14].

There is broad consensus that the key bottleneck to access to finance is the lack of strong institutions providing a broad range of financial services, especially savings, to serve large numbers of people on a sustainable basis. Other key bottlenecks include:

- Limited engagement of the private sector in expanding access to financial services and developing new financial products and services that serve poor and low-income people and micro and small enterprises;
- Lack of appropriate financial services infrastructure to support financial transactions and increased access to financial products at retail level;
- Lack of enabling policy, legal, and regulatory environments to facilitate and remove constraints to greater access; and,
- Lack of vision and commitment by policymakers to include the development of inclusive financial sectors as part of their development agenda[15].

Within Africa, the microfinance industry is still in a nascent stage compared to other regions. It is estimated that the African MFI sector lags other regions by 10-15 years. According to the MIX Market and CGAP, there are 6.5 million borrowers and 16.5 million depositors in SSA. This represents only 3% and 8% respectively of the population below the poverty line. Only a quarter of the SSA FSPs reporting to the MIX Market reach more than 30,000 clients[16].

The importance of safe savings to the poor

Saving is a crucial component of poor people's economic well-being and can have a direct impact on poverty reduction. Poor people already understand and value savings, and this is reflected in their behavior. Household studies have consistently shown that poor households use a variety of informal savings instruments to manage their small and unpredictable incomes such as: saving at home in piggy banks or under the mattress, purchasing gold jewelry or holding livestock, or being a member in a savings club. However, the mechanism of putting cash aside can often be challenging due to, for example, the risk of loss or theft. Savings in cash, readily available, are what most poor people need. Financial institutions have the opportunity to respond to poor people's demand by providing savings services that are convenient and safe, and which allow frequent withdrawals and deposits at minimal cost.

[13]Alexander, 2007. *The Big Business of Small Loans,* available at: http://www.emergingmarkets.org/Article/1463744/The-big-business-of-small-loans.html.

[14] Elizabeth Littlefield, CEO CGAP as quoted in "The Changing Face of Microfinance Funding", 20 December, 2007, © Copyright 2007, FORBES.com, All Rights Reserved. http://cgap.org/press/press_coverage83.php.

[15] UNCDF & UNDESA, *Blue Book on Building Inclusive Financial Sectors for Development*, May 2006 and CGAP, *Access for All: Building Inclusive Financial Systems,* 2006.

[16] MIX/CGAP 2010.

Savings can help poor people implement four fundamental tools to escape the poverty trap[17]:

- **Smooth consumption**: Access to a savings mechanism can help poor people smooth their volatile income streams and accumulate sufficient funds to eat regularly, invest in education, and otherwise reduce financial stress;
- **Protect against shocks**: Appropriate savings and insurance products can help provide a cushion against common shocks, such as illness, death in the family, or crop failure;
- **Enhance productivity**: By saving small amounts over time, poor families can invest in new tools and businesses to improve their productivity, and can afford to search longer for more productive forms of employment. If they are able to self-finance these investments, they can fully capture the productivity gains derived, without having to share them in the form of interest on loans[18];and
- **Empower women**: Studies show that access to certain savings products can increase women's economic empowerment, including how they manage unexpected health crises, their decision-making power over purchases, family planning, and children's education[19].

In *Portfolios of the Poor*, the authors present in detail the ways in which savings can expand households' livelihoods strategies[20]. The book demonstrates the variety of savings and credit mechanisms poor households employ to manage their cash-strapped lives. Two recent field studies in Kenya offer additional evidence that access to a savings account generates significant welfare effects on poor households, and that access to appropriate savings mechanisms can help poor farmers purchase fertilizer when they need it[21], thereby enhancing their yields and thus their income.

Specific barriers exist to expansion of savings services. Even regulated financial institutions in many markets see several real and perceived challenges in delivering deposit services to poor people. For many financial institutions, the biggest barrier to providing savings targeted to lower income clients may be perceived or real cost. CGAP has conducted activity-based costing (ABC) exercises with five financial institutions that found that both small and large institutions can offer savings services, even to small savers, and still be profitable overall[22]. In some institutions, small accounts were not profitable per se but were cross-subsidized with larger accounts. In addition, many institutions offering savings see this product as a way of attracting and retaining clients who may be interested in other, more profitable products. Also, the use of efficient delivery models and broad outreach can decrease the negative impact of the greater expense associated with small balance savings accounts.

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[17]Christen and Mas 2009, *Enterprise Development and Microfinance Vol. 20 No. 4.*
[18] Ibid.
[19] Esther Duflo, Michael Kremer and Jonathan Robinson, "Understanding technology adoption: fertilizer in Western Kenya Preliminary Experiments from the Field" MIT, Harvard University and Princeton University (May 2004).
[20] *Portfolios of the Poor: How the World's Poor Live on $2 a Day* by Daryl Collins, Jonathan Morduch, Stuart Rutherford and Orlanda Ruthven, Princeton University Press 2009.
[21] Dupas and Robinson, 2008 and Duflo et al., 2009.
[22] CGAP 2007, "The True Cost of Deposit Mobilization". Available at http://www.cgap.org/p/site/c/.

Value Proposition for FSPs
As noted in Tamara Cook's analysis paper: "The Challenging Economics of Small Balance Accounts", there are five levers of viability which FSPs can employ to reduce costs of small balance account:

- Increase return on assets;
- Reduce transaction costs;
- Grow average balance;
- Increase transaction fee income; and,
- Cross-sell.[23]

In a CGAP/World Bank study[24], it was shown that although small savings accounts are found to have high operating costs, these are overcome by the profits generated through cross-sales of loans and other products to small savers and by the fee income derived from the savings account themselves. It was shown that without the small savers, the MFIs under study would lose roughly 30% of their total profits.

In addition, FSPs which offer savings are inherently more client-focused than credit-only institutions since savings institutions must "sell" themselves as stable, safe, secure institutions in order to attract and maintain clients[25]. Credit-led institutions are focused on pushing product and are not necessarily client-centric. Clients choose the institution where they wish to save while credit-only FSPs choose the clients to whom they wish to lend. An extreme example of the dichotomy of credit only institutions is the current crisis in Andhra Pradesh, India where microfinance institutions are not allowed to mobilize deposits. With MFIs (NBFIs) competing for clients, over-indebtedness has resulted. If NBFIs in Andhra Pradesh were savings-led, their interests in client well-being would help to curtail the excessive drive to push out more loans. Hence, there is a strong value proposition that results in more stable institutions which provide better services to their customers.

IV. Programme Strategy and Approach

Lessons Learned

In 2008, UNCDF embarked on a $28 million programme, of which $19.97 million is funded by the Bill & Melinda Gates Foundation, to establish an "LDC Fund to Develop Savings-led Market Leaders for Inclusive Finance" also known as "MicroLead"[26]. MicroLead targets southern microfinance market leaders, for example Basix India and Equity Bank Kenya, to support their entry into the least

[23] Cook, Tamara 2010.
[24] CGAP and The World Bank 2011. *Is there a Business Case for Small Savers*, Washington, DC: World Bank.
[25] CGAP and The World Bank 2002. *Savings are as important as credit: Deposit services for the poor,* Donor Brief No. 4, June 2002. Available at http://www.cgap.org/gm/document-1.9.2435/DonorBrief_04.pdf.
[26] See UNCDF for MicroLead Programme Document, available at: http://www.uncdf.org/english/microfinance/uploads/project/2008-10-27_21%20October_08_Savings_Led_Market_Leaders_LDC_FIF.pdf.

developed countries. After two and a half years of implementing MicroLead, UNCDF has executed Performance-Based Agreements (PBAs) for ten projects in seven countries. The projected net change in savings mobilized divided by the UNCDF funding over the 2008-2013 implementation period shows a leverage of 10.[27] The leverage assuming both UNCDF and Gates Foundation funding over the same time period is 2.9 times. The comparable figures for actual results from 2008 to 2010 are already above the projected figures over the full programme lifecycle, at 13 and 6 times respectively. Four additional applications are approved and will begin implementation once government endorsement is received and PBAs are executed. To date, all MicroLead targets have been met. Please see **Annex C** for details of the existing ten grantees' actual vs. targeted outcomes and projections through 2013.

Table 1: 2010 Summary of Existing 10 MicroLead Grantees

	2010	2009	% change 2009 to 2010
Number of Active Borrowers	108,587	72,627	49.5%
Number of Voluntary Depositors	98,642	59,252	66.5%
Value of Loans Outstanding (US$)	101,996,848	69,514,238	46.7%
Voluntary Savings (US$)	88,208,586	22,121,985	298.7%

With these promising results and extremely high demand from potential applicants, UNCDF is looking to replicate the successes and take into consideration the lessons learned, by significantly expanding the programme to reach other underserved markets.

Some of the lessons learned to date under the MicroLead programme include:

1. Facilitation by UNCDF technical team results in stronger interest in the programme. The current MicroLead programme was "marketed" mainly by Financial Inclusion Practice Area (FIPA) headquarters. After the initial RFA, regional and country staff have proactively engaged to encourage applications.
2. The global economic crisis resulted in fewer applications than expected; many MFIs were dealing with Portfolio-at-Risk (PAR) issues and over-indebtedness issues in their home country. This situation has abated and UNCDF has received expression of interest from many FSPs.
3. A centralized global facility results in stronger applications/business plans, in particular with regard to savings mobilization. It allows a global perspective whereby the Programme Manager is able to negotiate consistently across all applicants. In the current MicroLead programme, this resulted in stronger savings focus with lower funding requirements than initially requested.

[27] This figure takes into account revised projections for one existing grantee.

4. Implementation flexibility allowed under MicroLead resulted in a wide variety of implementation schemes (Greenfields, transformations, technical assistance to one in-country FSP, technical assistance to a full range of in-country FSPs and support organizations).
5. Significant time lag for many applications to obtain government endorsement and/or savings license may delay the expected exponential growth until late in the programme. Also licensing/government endorsement is not assured which may result in approved applications not proceeding. In the Expansion Programme, UNCDF will address this challenge by seeking advance endorsement from governments based on potential selected institutions once the initial review and ranking of applications is complete. This moves up the time of initial government engagement by a minimum of three to four months.
6. The RFA process ensures complete applications by a set deadline. Accepting applications on a rolling basis adds flexibility however it has resulted in long lead times for complete applications. In the Expansion programme, it is UNCDF's intention to employ RFAs instead of accepting applications on a rolling basis.
7. Most applicants overstate targets. Under the existing programme, this led to extended negotiations with several FSPs. For the Expansion Programme, UNCDF will apply stronger scrutiny in addressing the assumptions behind projected growth targets.
8. Lack of economic activity and uncertainty in stability/security can result in FSPs' poor performance. UNCDF's funds are meant to stir development in these 'risky' markets but impact on UNCDF reaching its donors' targets need to balance with investment in very risky markets.
9. Market leaders may not have the capacity to expand to a number of countries at one time and/or may not be flexible enough to adapt their business models to different country contexts. Although these issues were taken into consideration for the existing programme, more emphasis will be placed on capacity and adaptability of applicants going forward.
10. MicroLead interventions can lead to Governments requesting sector support. This was the case for both Laos and Southern Sudan. UNCDF expects that, with its new diagnostic/programmatic tool under development with FinMark Trust, both sector and thematic programming can be developed to address the full spectrum of building inclusive financial sectors.

Annex D presents two MicroLead success stories, one a Greenfield project by Equity Bank Kenya for its start-up in South Sudan and the other a TA project by BASIX India for its support to Tuba Rai Metin in Timor-Leste.

In July 2010, UNCDF launched the programme YouthStart[28], funded by The MasterCard Foundation, to increase access to financial services for 200,000 low-income youth in SSA. YouthStart, which was modeled after MicroLead, was initiated via a competitive process which selected 19 Financial Service Providers (FSPs) in

[28] See UNCDF for YouthStart Programme Document, available at: http://www.uncdf.org/english/microfinance/uploads/project/YOUTHSTART_77039_PRODOC_2011_EN.pdf

SSA to conduct market research to identify the needs of youth between 12 and 24 years of age for financial services, in particular savings. In February 2011, 18 FSPs submitted their market research reports and 17 submitted their applications for funding to develop and offer financial services to youth based on the findings of their market research. In June 2011, UNCDF FIPA Investment Committee (IC) approved ten projects. The progress made in the first year of this programme from hiring the Programme Manager, issuing the market research RFA, conducting TA to the FSPs, organizing the FSP participation in a global youth conference and market research training, synthesizing the market research reports, issuing the Stage 2 RFA, conducting due diligence, and holding the IC to approve Stage 2 investments, is demonstrative of the operational and organizational strengths of UNCDF.

Strategic opportunity

As noted earlier, **an estimated 2.7 billion people around the world remain with no access to formal financial services**. Of these underserved adults, 2.2 billion live in Africa, Asia, Latin America and the Middle East. At least two-thirds of the 1.2 billion adults who use formal financial services live on less than $5 per day. In addition, levels of financial inclusion are determined not only by socio-economic and demographic factors but also factors which include: regulatory and policy environments, the shape of the financial inclusion landscape and actions of individual FSPs[29].

Africa is considered one of the last frontiers for inclusive finance due to the large rural population which is difficult to reach sustainably due to lack of transport infrastructure, cost and difficulty of doing business and large number of post-conflict environments. Yet, in terms of investments, “Africa lags well behind—attracting only six percent of total Microfinance Investment Vehicle direct investment.”[30]

As noted in *Financial Access 2010*, **in Sub-Saharan Africa (SSA) only 12% of the households are banked and nearly all countries in the region are below the world average of 49% of households having deposit accounts in formal financial institutions**. Research by FinMark Trust of 11 SSA countries (see **Table 2**), plus data on Burundi from its Central Bank, shows that approximately half of the adult population in these 12 countries is financially excluded (the total population of this sample represents almost half of the total sub-Saharan African population).

Table 2: Example of Financial Exclusion in SSA

Country	% Financially Excluded*	Population**	Adult Population***	Adult Population Financially Excluded	LDC?
Burundi*	96	10,216,190	5,108,095	4,903,771	Yes
Mozambique	78	22,948,858	11,474,429	8,950,055	Yes
Zambia	66	13,881,336	6,940,668	4,580,841	Yes

[29] FAI 2009

[30] *Microfinance Investors Adjust Strategy in Tougher Market Conditions*, CGAP Brief, October 2010.

Uganda	62	34,612,250	17,306,125	10,729,798	Yes
Malawi	55	15,879,252	7,939,626	4,366,794	Yes
Tanzania	56	42,746,620	21,373,310	11,969,054	Yes
Nigeria	53	155,215,573	77,607,787	41,132,127	No
Namibia	52	2,147,585	1,073,793	558,372	No
Rwanda	52	11,370,425	5,685,213	2,956,311	Yes
Kenya	33	41,070,934	20,535,467	6,776,704	No
Botswana	33	2,065,398	1,032,699	340,791	No
South Africa	26	49,004,031	24,502,016	6,370,524	No
Subtotal****		401,158,452	200,579,226	103,207,674	

*Data from most recent FinScope Study by FinMark Trust except for Burundi where information is from national microfinance association and Central Bank. Note: definition of adult population used by FinMark Trust varies by country.

** US Census Bureau, http://www.census.gov/ipc/www/idb/region.php.
***Assumed at 50% of total population.
****Represents 46% of total SSA population.

A 2010 CGAP report on SSA noted: "during the financial crises (of 2008), institutions with a strong deposit base tended to fare better than those relying heavily on foreign investment[31]. Yet, despite a positive track record of intermediating deposits, "too little funding" was the fastest rising risk among African respondents to the *Microfinance Banana Skins 2009* report"[32]. Also noted in the same report, "Institutional capacity remains a serious constraint to advancing microfinance in SSA" yet while growth in numbers of borrowers slowed in SSA in 2008, growth in depositors increased, "underscoring the importance of savings"[33]. It was also shown that deposit-taking MFIs offer significantly lower interest rates on loans and tend to offer higher loan balances that are attractive to many clients[34].

UNCDF's FIPA recognizes that many market leaders in the field of financial services for the poor are poised for international expansion. **The proposed programme aims to deepen the breadth and depth of financial inclusion over a five year horizon (outreach measured through 2016) by supporting global microfinance market leaders to enter underserved markets with savings-led methodologies. This programme will scale-up an existing programme incorporating all lessons learned to date. The programme aligns with The MasterCard Foundation's strategy to accelerate and scale up the depth and breadth of outreach of financial services for the poor.** By supporting 'market leaders' to expand into underserved countries/regions, with their experienced staff, systems, policies, procedures, product development and governance capabilities, the impact in terms of (i) number of clients reached over the programme time horizon and (ii) demonstration effect on the industry will be significant. In addition,

[31]Littlefield and Kneiding, 2009. "The Global Financial Crisis and Its Impact on Microfinance", Focus Note No. 52 February 2009, CGAP/The World Bank.
[32]CGAP/MIX, *Sub-Saharan Africa 2009 Microfinance Analysis and Benchmarking Report*, April 2010. Available at: http://www.cgap.org/gm/document-1.9.43711/2009_SSA_Microfinance_Analysis_Benchmarking_Report.pdf.
[33] Ibid.
[34] Ibid.

under this proposed programme, funds from The MasterCard Foundation will be earmarked for SSA. UNCDF will endeavor to expand MicroLead to other regions as well.

Innovation will result from the market-driven aspect of the programme as well as the demonstration effect on a country's microfinance market. Applicants are able to determine where they want to operate (country, submarket in a country, etc) and in which manner (direct implementer, technical assistance (TA) provider). Thus, they are able to follow their own internal strategy. Yet, all applicants will be aware of the goals of the programme (savings-led, pro-poor and demand-driven in underserved markets) and if not able to address these areas, will not be successful in their application. FIPA expects this structure will result in very competitive applications. Also, by bringing market leaders into markets which do not have a clear leader, FIPA's hypothesis is that there will be a demonstration effect on the overall market whereby smaller national FSPs will become more sophisticated.

MicroLead: Poised for Expansion

- **Momentum –** MicroLead has gained significant momentum in its first two and a half years by progressing as expected, and remaining on track to meet its expected results. FIPA has gained tremendous insight during this programming period regarding key stages of the programme.
    - Overall, lessons learned from MicroLead give strong justification for a combination of Greenfield and TA programming in the expansion phase. The main risks associated with Greenfields are related to acquiring licensing and/or government endorsement. The time to obtain a savings license typically takes longer than anticipated by the FSP and regulatory frameworks are not always at a stage where savings mobilization is a part of the microfinance landscape. Obtaining government endorsement has often also taken up more programming time than expected and is not always assured. To alleviate these long lead times under the MicroLead expansion programme, countries where grants are deemed likely (based on initial application review and ranking) will be contacted much earlier in the process to introduce the MicroLead project and begin the endorsement process and the regulatory environment will be scrutinized in more detail when evaluating applications.
    - A proactive approach in the RFA stage by FIPA will ensure responses from a diverse group of FSPs/TSPs. In preparation of the expansion of MicroLead, a significant number of potential applicants, and the country(ies) they will target, have already been identified.
- **Potential for Scaling-Up:** The MicroLead expansion programme offers an opportunity to FSPs to expand their operations to new countries and to support and strengthen existing FSPs which have already established large

delivery platforms to innovate and expand their reach to new client segments and markets, in order to have more impact at the country-level.

- **Synergies with existing programmes:** UNCDF's main implementation strategy is via sector-based Inclusive Finance (IF) programmes. Due to the existence of these IF programmes, MicroLead grantees are able to apply to local Investment Committees (ICs) for additional funds if needed. This has already occurred in Sierra Leone, Sudan and Timor-Leste. Additionally, MicroLead interventions have led to Governments requesting sector support, as in Laos and Sudan. UNCDF's technical presence and solid network of FSPs, TSPs and donors enable it to give support at the regulatory and policy levels. In addition its previous experience in savings (e.g., Microsave, MicroLead and YouthStart) will be critical in the expansion phase.

  In the spirit of the Paris Declaration for Aid Effectiveness, and to best place UNCDF's catalytic capital investments, MicroLead will strive to enhance coordination with other programmes and donors working on similar interventions in order to ensure synergies and complementarities. UNCDF's Regional Offices already work on donor and programme coordination. Specifically in Africa, UNCDF Regional Offices coordinate very closely with "Making Finance Work for Africa" (MFW4A), an initiative to support the development of African financial sectors. MFW4A is a "unique platform for African governments, the private sector, and development partners to coordinate financial sector development interventions across the continent, avoiding duplication and maximizing developmental impact".

  UNCDF is also working closely with the government of Spain and the African Development Bank on the Microfinance Trust Fund (MTF). This fund will be executed by the African Development Bank. UNCDF has participated since its conception. The fund's purpose is to finance the provision of technical capacity building for retail institutions, promote the strengthening of the market infrastructure and provide support to reform the regulatory frameworks and strengthen supervision capacities. UNCDF's work with the MTF will ensure coordination and building synergies among its various sector and thematic programmes. The MTF Coordinator at the African Development Bank described working with UNCDF: "Your breadth of coverage in LDC's throughout sub-Saharan Africa will be a true asset to the program"[35].

  Finally, on the new Capacity Development for Financial Inclusion Facility for SSA ("MICFAC") established by the World Bank and DFID, the UNCDF Head of the Regional Office in Dakar has initiated discussions and coordination of efforts.

- **Emphasis on the LDCs:** The LDCs are where the greatest potential to make impact exists. UNCDF is witnessing an increasingly conducive environment for a diversity of FSPs to provide a range of financial products and services. A

[35] Verbatim

large number of smaller microfinance institutions with strong growth potential but un-met demand exist in the region. This is evident in the growth of the sector in SSA. Out of the 27 SSA countries which were identified by prospective applicants, 20 are LDCs. Although the MicroLead expansion is open to all SSA countries, the emphasis will remain on the LDCs.

V. Programme Description

Development Problem:

Section III presented the development problem to be addressed in this programme. To summarize:

- It is estimated that 3 out of 4 adults in developing and middle income countries do not have bank accounts.
- Only about 10 percent of the 2.5 billion people living on less than $2 per day have access to a bank account.
- SSA is the least banked region in the world with 80 percent of its population lacking access to a bank account; followed by the Middle East/North Africa at 68 percent, and Latin America/Caribbean at 65 percent.
- Worldwide it is the poor, women, and rural residents who are the least banked.

The comprehensive review paper on savings for the poor by Kendall summarizes the evidence to date, including results from various Randomized Control Trial studies, which support the importance of savings to the poor, specifically how savings provide the necessary tools to escape poverty[36]. Hence, access to financial services, particularly savings, underpins poor and low-income people's ability to achieve the MDGs in a sustainable way.

Development Outcome (Impact):

This programme aims to contribute to the development of strong inclusive financial sectors and the achievement of the MDGs, particularly the specific goal of poverty reduction in half by 2015, by supporting the expansion of microfinance market leaders in underserved countries. The results chain is given in **Figure 1** below.

[36] Jake Kendall, 2010. *A penny saved: Do savings accounts help the poor?* Financial Access Initiative (FAI) November 2010.

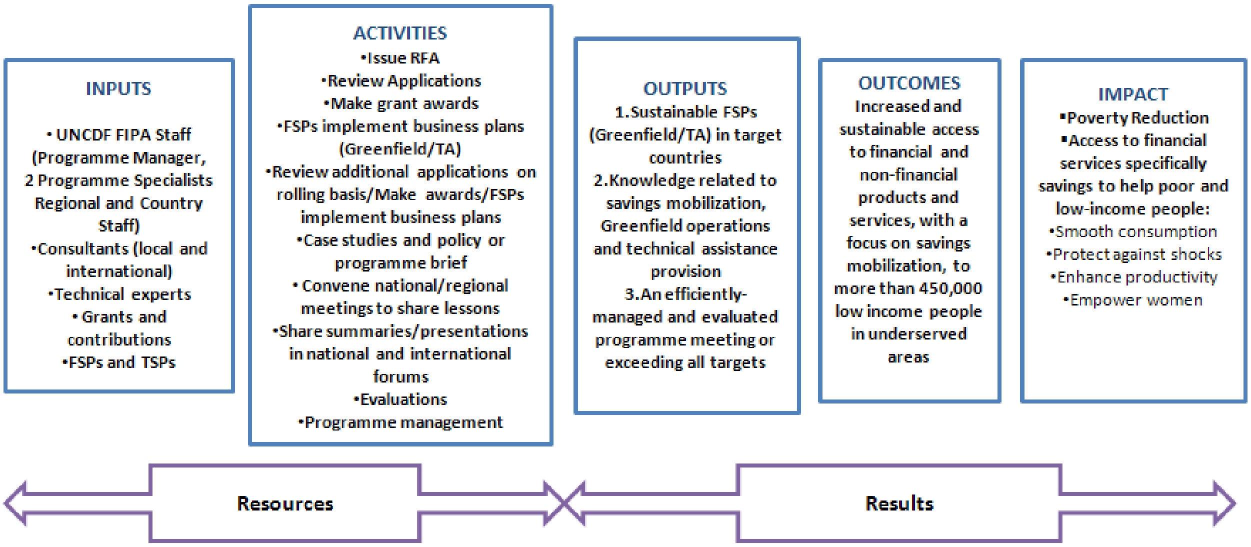


Figure 1: The MicroLead Results Chain

Programme Outcome and Outputs

The outcome by the end of the programme (June 2017) will be **increased and sustainable access to appropriate demand-driven responsible financial and non-financial products and services, with a focus on savings mobilization, to more than 450,000 low income people, at least half of whom are women and at least half of whom reside in rural areas.** The MasterCard Foundation's funds will be earmarked for SSA countries.

It is important to note that this programme outcome alone, resulting from the completion of the planned activities, may not lead to the desired change in the development condition. The stated objective (i.e., the development outcome) frames the planned intervention. The programme outcome provides the clear vision of the intended change for all stakeholders, including governments, FSPs and the support industry and will require the cooperation of all.

Supported by a strong technical infrastructure, professional staff at regional and national levels, and a roster of experienced consultants, the programme specific outputs to be achieved by UNCDF are:

- Sustainable FSPs (Greenfield/TA-supported) providing access to demand-driven, responsibly-delivered, savings-focused financial and non-financial products and services to low income people in underserved areas;
- Knowledge generated and disseminated among FSPs, TSPs, policy makers, donors and other stakeholders related to savings mobilization, Greenfield operations and technical assistance provision; and
- An efficiently-managed and evaluated programme with top talent and expertise meeting or exceeding all targets.

The table in **Annex A** lists the objectives, activities, measurable outputs and outcomes. The indicators (output and outcome indicators) are given in Table 8.

This programme is a US$23.5 million expansion (see **Annex B** Budget Overview) of an existing programme which is jointly funded by UNCDF and the Bill & Melinda Gates Foundation. In **Annex C**, a list of the current MicroLead awards is presented, along with projected outreach (note that an additional four applications are pending PBA execution).

The methodology employed in the expansion of MicroLead will be similar to the existing programme whereby UNCDF will issue a targeted request for applications (RFA) to leading FSPs/TSPs that have already demonstrated that they have a proven business model to achieve scale and profitability. External consultants, in addition to FIPA staff, will review, undertake due diligence and rank the proposals. The MicroLead Programme Manager will present the short-listed proposals to FIPA ICs. After internal UNCDF approval, negotiations will ensue with applicants on funding amounts and disbursement conditions. PBAs will be negotiated and executed. Tranches will be disbursed to FSPs/TSPs as disbursement conditions are met. The notable changes from the existing programme are that non-LDCs may be targeted for intervention and leading networks/TSPs may apply in addition to leading southern FSPs.

This approach allows the potential applicants to determine what their own strategy for growth is (Greenfield vs. TA) and allows projects to be awarded in developing countries which are underserved but may not by designated as LDCs.

The potential for replication is high in that FSPs and TSPs will gain increasing knowledge of underserved markets and develop new products, services, delivery channels, and partnerships. Via the knowledge management component of the programme, lessons will be shared among providers, stakeholders, governments, and donors, which will result in faster uptake of innovations by the industry.

UNCDF will invite FSPs/TSPs with a proven track record to submit applications and may also advertise the RFA via national and regional microfinance fora. The eligibility requirements noted below for FSPs/TSPs are subject to change but will be finalized and approved by the FIPA Director prior to the issuance of the RFA.

Eligibility Requirements for FSPs and TSPs

For FSPs, the eligibility requirements may include:

- greater than 50,000 depositors and MIX Market diamond of 4 or 5 (for a list of FSPs meeting this criteria, see **Annex E**);
- profitable (ROA positive) and reasonable liquidity[37];
- solid portfolio quality (less than 7.5% PAR 30 currently and decreasing trend over past 3 years);
- in each country where FSP is currently operational, average loan size/GNI/capita and average deposit amount/GNI/capita demonstrates commitment to low-income populations[38];
- legally able to offer low-balance savings accounts in home-country;

[37] Positive trend over the last three years, preferably greater than 1.
[38] Comparison to other FSPs in respective country made to determine low-income populations targeted.

- signatory to or commitment to sign the Client Protection Principles and implement sound client protection practices;
- experience reaching women and rural markets;
- commitment to report to the MIX market on financial and social performance;
- commitment to and demonstration of sharing knowledge; and,
- audited financial statements available for the past 3 years[39].

For new holding companies currently being established by experienced microfinance practitioners, the above eligibility requirements (or, as finalized in the RFA) will apply to institutions previously established/supported by senior management of the holding company. For commercial bank applicants, portfolio and other data should be submitted with microfinance portfolio broken out.

For TSPs which apply for support to provide their expertise to national FSPs, eligibility requirements may include:

- track record of and commitment to reaching low income underserved populations, with attention to women, with savings-led models;
- signatory to or commitment to sign the Client Protection Principles;
- commitment to social performance and demonstrated promotion of double bottom line in technical assistance work;
- at least 10 years of experience providing technical assistance to microfinance institutions (TA expertise to include savings methodologies, transformation to deposit-taking entity, new product development, social performance management);
- commitment to and demonstration of sharing knowledge measured by public documents posted on their websites and participation in other learning initiatives;
- [At least one] FSP assisted via TA from TSP has achieved same criteria as above under FSP eligibility requirements. TSP's client(s) confirms that the TSP played an important role in its development.

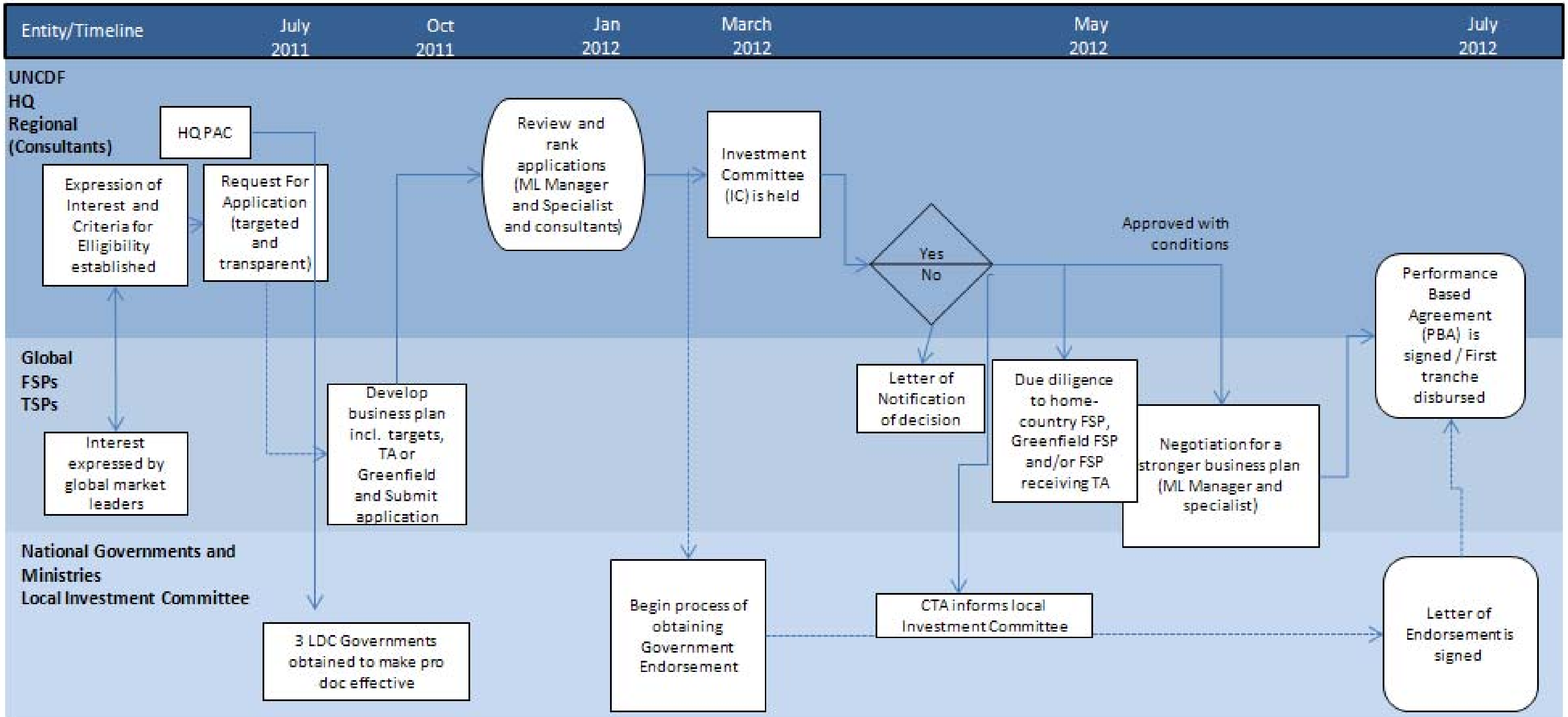
Output 1: Sustainable FSPs (Greenfield/TA) providing access to demand-driven, responsibly-delivered, savings-focused financial and non-financial products and services to low income people in underserved areas.

Activity 1.1: Programme marketed, RFA issued, applications received and reviewed, selection made at IC, country-level IC informed, due diligence missions conducted, Government endorsement obtained, PBAs negotiated and executed;
Activity 1.2: Grantees begin implementation, report as required by PBAs, and receive tranches as conditions are met.

Please see **Figure 2** for a flowchart of activities for Activity 1.1.

[39] Audited financial statements will be reviewed to understand qualification, if any, and actions taken by FSP.

Figure 2: Flow Chart showing Activity 1.1 (with timeline)



Step 1: Generate interest of at least 15 prospective applicants via an Expression of Interest. This activity is already underway with FIPA staff conducting marketing calls to prospective applicants. A more formal EOI may also be employed. In addition, conversations continue with existing support programmes such as FIPA sector programmes, The Financial Sector Deepening Trusts (FSDTs), and the MTF to discuss synergies. Additionally, speaking engagements at regional and national forums by UNCDF FIPA staff will include mention of global thematic initiatives such as MicroLead and YouthStart. This activity is targeted to be completed by the third quarter of 2011.

Step 2: Issue a targeted, transparent Request for Application (RFA). See **Annex F1 and F2** for the application format used for the existing MicroLead programme. A revised format is under development for the MicroLead Expansion.

Step 3: Review, rank and select a minimum of eight FSPs/TSPs to replicate their models in a minimum of six countries (field visits to the parent institution, existing affiliates and/or to the FSPs identified to receive TA may be undertaken to perform due diligence).

The MicroLead Programme Management Unit (PMU) - see Section VII for details - and at least three external technical experts in inclusive finance (consultants) will review and rank the applications using a qualitative and quantitative method based on the selection criteria below. The Regional and Country Technical Advisors (see **Annex G** for a list of FIPA staff and country coverage) will also review the applications for their respective countries[40]. In countries where FIPA has an IF programme, the CTA will inform the RTA and MicroLead PM in case of IC queries related to the market and the need for a "leader" and other country attributes. In addition, the MicroLead PM will ensure that if the selected FSPs have funding agreements with FIPA (whether MicroLead, YouthStart, IF or future programmes), milestones are being met.

The key criteria for scoring and selecting applications for SSA will be reviewed and endorsed by The MasterCard Foundation prior to reviewing the proposals for the initial RFA. The external experts' written reviews will be submitted as part of the decision-making process by UNCDF's FIPA IC. A MasterCard Foundation staff member will participate in the decision process ex-officio when the funds to be awarded are sourced from the Foundation.

Applications with a holistic approach to development, including non-financial services (e.g., financial education), will be encouraged. A rigorous selection process will be carried out and UNCDF will endeavor to include multiple countries, institutional types, and product and outreach methodologies in its final selection of FSPs/TSPs. Selection criteria that may be used to balance the project's desire to reach scale as well as maximize the learning agenda are noted in the table **Table 3**, Indicative Selection Criteria.

[40] RTAs will be involved for those countries with no CTAs.

Table 3: Indicative Selection Criteria (Greenfield/TA)

Criterion	Indicator/Score
Target market in country where project proposed to be implemented	Underserved market or population (e.g., rural, women) targeted; Commitment to understand impact on clients over time and adjust operations accordingly
Ability and experience to reach scale	Projected # of new depositors and borrowers, amount mobilized and loan portfolio size; Credibility of such projections based on historical performance (successfully scaled minimum of one financial institution and preferred three or more)
Depth of outreach	Commitment to reach low-income populations in new country (proxy as measured by (i) average loan balance per borrower/GNI and average savings balance per saver/GNI and (ii) experience of FSP/TSP in current operations); mission and vision of institution
Leverage	Amount of funds contributed by applicant; Net change in low-balance savings mobilized/amount of funding received from MicroLead
Experience of Staff to lead the project/Knowledge and understanding of new market	Senior staff experience outside home country; If existing MicroLead grantee, experience to date under existing MicroLead grant; All operations, e.g. number of new initiatives in new countries, to be taken into account in order to understand human resource capacity to take on new programming; Demonstrated knowledge of targeted country and prior experience working in the expansion region
Legal status/ Ownership/ Governance and Leadership	Clear ownership structure, able to mobilize deposits with a strong and realistic analysis and understanding of legal and regulatory environment and processes in targeted country (application for license already in process clearly indicates this), qualified and engaged board members, gender ratio of board and staff, diverse and complementary skill set of board and staff
Potential for new product or	Innovations and learning related to technology, market research and product

methodology learning	development, delivery channels, partnerships, non-financial services
Knowledge management and client protection	Demonstration of commitment to knowledge management and sharing, and commitment to client protection and transparent pricing

Applications will be approved (with or without conditions) or rejected during the IC. For those approved, due diligence visits may be conducted to either the home-country FSP, new Greenfields in other countries established by the FSPs and/or FSPs to receive TA.

Step 4: Obtain government endorsement of each approved application. The MicroLead PMU is responsible for initiating this process in a timely manner. It will draft the government endorsement letters, obtain UNCDF executive signature and coordinate with RTAs and CTAs to determine on a case-by-case basis who is best placed to directly engage with governments for their endorsement. Due to the time involved to obtain endorsement, initial discussions with government officials may be initiated before IC approval but after external review feedback.

Step 5: Increase access to financial services to 450,000 low income people, particularly women, via the FSP/TSP programming. UNCDF's standard PBA will be used with grant recipients (see **Annex H** for standard form of agreement). PBAs will include key process milestones as well as key performance targets (outreach, percent female; licensing, product roll-out, scaling, other services offered or facilitated, e.g., financial education). Funds will be released in tranches over the grant period by UNCDF based on the grantees' meeting targets and disbursement conditions in the PBAs. In this way, UNCDF will be able to hold grantees accountable for results and will minimize investments in grantees who do not manage to yield success results with their initial grant fund.

Step 6: Monitor the performance of FSPs/TSPs via quarterly reporting, missions, etc. The MicroLead PMU is responsible for the coordination of the monitoring of the FSPs/TSPs and will develop a standard monitoring template. In countries where a CTA is located the CTA will monitor the project with on-site visits at least twice per year. For all other countries, the PMU, in close coordination with the RTA, will monitor the project. Before tranches are disbursed and based on FSP/TSP performance to date, on-site monitoring visits will be conducted to ensure that conditions have been met. At a minimum, on site monitoring missions will be conducted once per year for projects in countries where no CTA is on the ground.

For projects that are not meeting targets, the FSP/TSP will be required to report out why conditions are not being met, what actions are/will be initiated and when the project is expected to be on track. For projects that can adequately explain missed targets and actions taken to get back on track, UNCDF has discretion to renegotiate PBAs. For FSPs/TSPs that cannot satisfactorily explain missed targets or present credible plan to get back on track, UNCDF has discretion to suspend or terminate PBAs. Disbursements to FSPs become the property of the FSP when a subsequent tranche is disbursed. When a PBA is terminated, UNCDF has the right, if it so desires to act, to recover the last tranche disbursed.

Output 2: *Knowledge generated and disseminated among FSPs, TSPs, policy makers, donors and other stakeholders related to savings mobilization, Greenfield operations and technical assistance provision.*

Activity 2.1: *Case studies and policy or programme briefs are researched and disseminated;*
Activity 2.2: *Programme convenes national and regional meetings to share lessons; and,*
Activity 2.3*: Lesson learned, written summaries and presentations made in national and international forums.*

FIPA's vision of Knowledge Management (KM) stems from its sector-based approach to financial inclusion in the LDCs and its continuous efforts to build technical capacity and, identify focal points (substantive champions) for key thematic areas and products. FIPA provides staff with support through the standardization of business processes and the development of knowledge products that will help improve efficiency and productivity.

To respond to internal knowledge and networking needs, UNCDF is in the process of redesigning its intranet to be more efficient and functional. Internally, it is conducting quarterly phone conferences with staff, webinars and is currently piloting Teamworks[41]. FIPA is creating a communication matrix to improve its visibility and outreach as well as to strengthen partnerships with other UN organizations, for example with the ILO on Micro-Insurance, the Youth Inter-Agency Network led by UNDESA (UN Youth Programme) and with IFAD on remittances. FIPA will also strengthen existing external and new partnerships, namely those with CGAP and the *Agence de Developpement Autonome* (ADA).

Consistent with the UNCDF corporate KM Strategy, the FIPA staff development and KM Project are designed to improve building, sharing and disseminating knowledge in order to support efficiency gains. FIPA's strategy on KM is articulated around the five pillars of UNCDF's corporate KM strategy based on the 5 Ps: People, Processes, Products, Platforms and Partnerships. Accordingly, the FIPA approach to KM will have these five outputs, as described in **Annex I**.

The KM component of MicroLead is expected to lead to greater understanding of the issues faced, especially the constraints to savings-led approaches, by leading FSPs/TSPs in regional and global expansion and the role of savings-led market leaders in building inclusive financial sectors. Through its continuous learning approach, UNCDF will ensure that lessons-learned as well as recommendations included in the existing MicroLead midterm and final evaluations are incorporated in the on-going implementation of the MicroLead Expansion Programme. In addition,

[41] Teamworks is an online UNDP Communications tool

comparison of Greenfield stand-alone operations to technical assistance provision applications will be explored.

UNCDF will achieve this by:

- Facilitating the participation of practitioners and stakeholders in knowledge sharing and learning, encouraging and forging linkages between them and by extracting, documenting and disseminating lessons and encouraging their application in underserved regions in other regions.
- Integrating a learning component into all major activities of the programme, extracting best practices related to savings mobilization on product design and adaptation, product delivery and marketing and grant management. All reports from the grantees (for example, business plans, quarterly reports and test pilots) will strengthen FIPA knowledge of the various markets and prove the viability of savings-led models.
- Building on the findings of the expansion programme by systematically extracting and sharing knowledge at the regional and global levels and encouraging the application of such models in other geographical locations while also maximizing the value of the programme. By also encouraging more integrated approaches, i.e. the inclusion of non-financial services, the programme will learn their value-add to low-income and poor households.

The implementation of the programme, which includes multiple countries, institutions, and outreach methodologies, will allow for interesting comparisons and learning in different communities of practice. The programme will encourage and facilitate the replication of successful products and approaches in other FSPs and countries. KM deliverables correspond to a specific purpose and a target audience (i.e. stakeholders) to ensure that key messages are conveyed in a way that will reinforce learning and replication in a variety of countries and environments to maximize impact. **Table 4** presents the main elements of the MicroLead Programme KM agenda.

Table 4: Knowledge Management Purpose, Audiences and Approaches

Knowledge Management Purpose	Audiences	Approaches
1. To identify and share knowledge on how TSPs/FSPs design their savings-focused products and develop delivery mechanisms.	Other FSPs – in and out of programme; in other countries; in other regions and technical assistance providers, etc.	Extract lessons learned and encourage replication through relevant case studies, briefs, and presentations at conferences, etc.
2. To identify the potential challenges and risks in enabling entry of market leaders into underserved markets.	Other FSPs – not in programme; in other countries; in other regions – and policymakers, (regulators, ministries etc.) and the meso-	Highlight market outreach and profit potential from case studies and evaluation reports, presentations, etc.

	level industry	
3. To inform donors and governments how they can best support access to financial services with savings-focused approaches as well as on impact on end-clients if/when documented.	For UNCDF, The MasterCard Foundation, other potential donors, government agencies, etc.	Offer suggestions and guidance through donor reports, policy briefs, etc.

In addition, UNCDF will take the lead role in creating a community of practice in savings mobilization in the LDCs and in SSA in general, and will assist and encourage FSPs/TSPs and other stakeholders to actively participate on the online network Teamworks and other forums (workshops, conferences etc.). Within Teamworks, participants will be able to (the list is not exhaustive):

- Profile their experiences and practices and participate in online discussions;
- Improve outreach and advocacy;
- Consult with technical experts;
- Participate in online discussions as a part of on-going advocacy efforts.
- Participate in Communities of Practice;
- Exchange content in any language;
- Search the network for policy advice; and,
- Disseminate press-releases, newsletters, and recent publications, etc.

Lessons will be shared via six case studies, publications (six policy or programme briefs), and presentations at eight different forums. In addition, regional and national workshops will be held where FSPs and TSPs will share lessons learned on scaling up savings services to stakeholders, policymakers, and other industry players. Lessons-learned will be shared with the UN Secretary-General's Special Advocate for Inclusive Finance for Development, HRH Princess Máxima of the Netherlands, who is well positioned to advocate for greater financial inclusion among policymakers and regulators[42]. Finally, UNCDF's Policy Advisor will be continuously apprised of MicroLead's progression and learnings, will engage from time to time with TSPs and FSPs on policy issues, particularly in regard to client protection issues, and will disseminate the policy-related learnings within UNCDF and externally.

Specifically, some of the hypotheses to be tested for knowledge and learning under the MicroLead expansion include:

1. Introducing a market leader into a country results in: (a) increased capacity and improved standards for that country's microfinance sector overall; (b) increased outreach for the industry as a whole, (c) a better legal and regulatory environment.

[42] For the UNSGSA's Annual Report, September 2010, see http://www.uncdf.org/english/microfinance/uploads/project_annual_review/UNSGSA%20AR%20final%20low-res%20rev%20130910.pdf.

2. MicroLead helps leverage a grantee's ability to scale up and introduce innovations (i.e., product diversification, rural expansion, focus on women).
3. The savings-led focus results in stronger, more resilient FSPs as well as end-clients.

Stakeholders, Target Groups, and Ultimate Beneficiaries

Stakeholders

The main stakeholders of this programme are:

- At the retail level, Financial Service Providers (FSPs) and Technical Service Providers (TSPs) which may include commercial banks, non-bank financial institutions, international Non-governmental organizations (NGOs) and other NGO members, credit cooperatives and other projects delivering and/or supporting the provision of financial services;
- At the meso-level, various providers of business support services to the financial sector, including public and private training and consulting companies and institutes, professional and sector networks and associations of the financial sector, auditors, MIS, IT and ICT service providers etc.
- At the macro-level, policymakers including other key governmental agencies participating in the financial sector policy development process, which may include in some countries, the Ministry of Planning and Investment (MPI), Ministry of Finance (MoF) and other local governmental departments overseeing the delivery of rural, urban, micro- or commercial financial services;
- Development partners and donor agencies supporting the development of the financial sector at large, and/or funding provision of financial services directly or through international or national NGOs, projects or programmes in programme countries. The current key donor is the Bill & Melinda Gates Foundation.

Target Groups

- Financial Service Providers
- Technical Service Providers

Ultimate beneficiaries

The ultimate beneficiaries of this programme are the low-income, financially excluded and underserved/rural populations (at least 50% of whom are women) in developing countries.

Geographical Coverage

The geographic scope of this programme is globally underserved markets. Various measures to determine whether a market is underserved have been developed (e.g., Financial Access 2010, FinScope surveys). These studies, in addition to FIPA's extensive on-the-ground presence in LDCs and regional knowledge, will allow FIPA to rank applications in terms of the need of the market. For The MasterCard Foundation funds, all awards will be made for SSA countries, which is in line with the Foundation's strategy.

Based on discussions with prospective applicants, FIPA expects applications for the following SSA countries listed below in **Table 5**, although this list does not preclude applications for other countries.

Table 5: SSA Countries where Applications Expected

Benin	Congo-Brazzaville*	Madagascar**	Rwanda**
Botswana*	Côte d'Ivoire*	Malawi**	Senegal**
Burkina-Faso**	DRC**	Mali (YouthStart I)	Tanzania
Burundi	Ethiopia	Mauritania	Togo(YouthStart I)**
Cameroon*	Ghana*	Mozambique**	Uganda
CAR**	Guinea-Bissau	Niger**	Zambia
Chad**	Kenya*	Nigeria*	Zimbabwe*

*non-LDC
**Country with FIPA Inclusive Finance Sector Programme

	Country with YouthStart grantee

National policies and frameworks vary within each country. FIPA staff will endeavour to engage policymakers if the framework is not conducive to savings-led models. For additional information on access to finance in Africa, please see **Annexes J and K**.

UNCDF Strengths and Capabilities

The programme builds on UNCDF's internal strengths and comparative advantages in the area of inclusive finance. UNCDF has the experience in managing transparent grant funds, building the capacity of MFIs and supporting governments in developing the appropriate policy and regulations for an enabling environment. UNCDF strengths have been demonstrated in several successful global and regional initiatives including MicroLead, YouthStart, the Building Inclusive Financial Sectors in Africa (BIFSA) programme and The Pacific Financial Inclusion Programme (PFIP). **Annex L** gives an overview of FIPA's activities (sector-based and thematic initiatives).

UNCDF's internal strengths include:

- A strategy for Building Inclusive Financial Sectors which is consistent with good practices. This strategy, developed with the participation of a broad range of staff, is user-friendly and lays out the agency's approach to promote inclusive financial sectors.
- Its responsiveness to evaluations and reviews: The refinement and evolution of UNCDF's strategy over the years demonstrates an exceptional willingness and proven ability to change based on feedback. An example of this is the CGAP SmartAid 2011 review (see **Annex M**) where FIPA has incorporated in 2010 many of the recommendations from CGAP's 2009 review, resulting in UNCDF moving from the "good" to "very good" category.
- The technical strength of the UNCDF's regional decentralized structure as well as the experience and expertise of its staff (see FIPA staff bios in **Annex N**) make it a strong partner through which to channel funds.
- The expertise and experience of focal points that matches portfolio: Within SSA, UNCDF's FIPA has on-the-ground staff in 15 countries (see **Annex G**).

UNCDF's Africa and Asia Offices are charged with providing inclusive finance technical support to UNDP offices in non-LDCs, thus FIPA knowledge of non-LDCs is extensive. Through the existing UNCDF infrastructure, funding partners can be sure that successful MicroLead applicants will be monitored in a cost-efficient manner.

- Policy and tools for mandatory performance monitoring and transparency are in place. The requirement for quarterly reporting is highlighted in the UNCDF Operations Manual (OM).
- Flexible grant funding is aligned with UNCDF's strategy. Its primary instrument, grant funding, is well suited to its risk-taking approach and focus on retail institutions in LDCs. UNCDF works through direct implementation rather than national implementation through government, which is appropriate for the private sector focus UNCDF seeks to foster.

Sustainability

As with the existing MicroLead programme, all FSPs are expected to be sustainable by the end of the grant period. Criteria to be accepted as an applicant ensure that a grantee has the experience to implement large scale programming in a sustainable manner. In addition, Greenfield applications will be ranked on their leverage, i.e., how much of their own funding they are contributing to the project and the net increase in savings mobilized/ loan portfolio. If there is a large gap in terms of minimum capital remaining to be raised or grant funding to cover additional operating losses during the start-up phase, applicants will be asked to meet additional funding requirements before MicroLead will entertain the proposal. Also, for projects located in countries where FIPA has an inclusive financial sector programme, MicroLead grantees will be encouraged to apply (or assist local FSPs to apply) to the country programme for additional funding (assuming implementation is proceeding as planned).

Reach Impact and Multiplier Effect

Based on experience of the existing MicroLead programme, average awards are approximately $1.8 million. With a total budget of $23.5 million, The MasterCard Foundation funds will result in approximately eight awards of $2 million each. FIPA does not want to reject applications solely on outreach criteria since many underserved countries are those countries which have relatively small populations or may be more difficult to enter due to regulatory or business environments or political upheaval, etc, yet it does expect the programme to result in a number of breakthroughs in, for example, rural outreach and/or the demonstration effect produced by the market leader. The annual targets which FIPA projects to reach each year of implementation are found below in **Table 6**.

Table 6: Number of New Clients Reached (either borrower or depositor)

2013	80,000
2014	200,000
2015	300,000
2016	450,000

At least 50% of the new clients will be women, and at least 50% of clients reached will reside in rural areas. Indirectly, the households of the new clients will be impacted, thus, assuming an average family of six, approximately 2.3 million additional low-income people will be impacted in addition to the client. These targets are in addition to the outreach projected from the Gates-UNCDF funded phase (2013 target of 525,000 new borrowers or depositors).

Cross Cutting Issues-Gender and Youth

Numerous impact studies have reported that the ability to borrow, save, and earn income enhances poor women's confidence, enabling them to better confront systemic gender inequities. Women often prove to be more financially responsible with better repayment performance than men. Also it has been shown that women are more likely than men to invest increased income in the household and family well-being. As a result, microfinance programmes have generally targeted women as clients.

Perhaps most importantly, access to financial services can empower women to become more confident, more assertive, more likely to participate in family and community decisions, and better able to confront systemic gender inequities. But such empowerment is by no means automatic as gender-related issues are complex. Appropriate programme design can have a strong, positive effect on women's empowerment, resulting in women owning more assets, having a more active role in family decisions, and increasing investment in family welfare.

FSPs supported by UNCDF employ a variety of tools to maximize the positive impact on women. All UNCDF inclusive finance programmes specifically aim to ensure that female clients comprise at least 50% of the client base of each FSP supported. Gender disaggregated data is collected to monitor the programme progress and to ensure equal participation of both female and male in programme activities.

This programme will encourage TSPs and FSPs to explicitly include in their market research tools and approaches that help them better understand the unique characteristics of women and the opportunities and constraints they face. These learnings will be incorporated into the design of the products and services so that they are accessible to women and to enhance the likelihood that their use by women will bring them real benefits.

Providing financial services to youth (defined as those under 24 years of age) is a new thematic area of UNCDF's. As noted in the YouthStart programme document,[43] the number of FSPs that consider youth as an important new market, which needs specific products, is still limited. Yet, youth represent the FSPs' next wave of new clients. Very few FSPs understand the nuances and peculiarities of serving this market and know even less about youth-serving organizations (YSOs) with whom they might partner in order to understand how to reach out to and

[43] See http://www.uncdf.org/english/microfinance/uploads/project/YOUTHSTART_77039_PRODOC_2011_EN.pdf.

design products for youth. Although the MicroLead expansion programme is not a youth-focused programme, UNCDF will look favorably upon applicants that are able to disaggregate portfolio information by age (under 18, 18-24, over 24 years) and who expect to offer products specifically designed for youth.

Risk Analysis

A summary of organizational and strategic risks are listed and described in **Annex O**, along with management responses and/or countermeasures in place.

Workplan

Annex P presents a summary workplan, which highlights the core activities across the project's timeline.

VI. Results and Resources Framework

Table 7: Results and Resources Framework (RRF) of the MicroLead Expansion Programme

Development Outcome: Contribute to the development of strong inclusive financial sectors and the achievement of the Millennium Development Goals (MDGs), particularly the specific goal of poverty reduction in half by 2015, by supporting the expansion of microfinance market leaders in underserved countries.
Programme Outcome: Increased, sustainable access to appropriate demand-driven reasonably-priced responsible financial and non-financial products and services, with a focus on savings mobilization, to more than 450,000 low income people, at least half of whom are women and at least half of whom reside in rural areas.

Programme Outputs	Exe-cuting Agency	Indicative activities for each output	Resource Allocation and Indicative Timeframe							Total (USD)
			2011	2012	2013	2014	2015	2016	2017	
Output 1: Sustainable FSPs (Greenfield / TA) providing access to affordable, demand-driven, responsibly-delivered, savings-focused financial and non-financial products and services to low income people in underserved areas. **Target Outcomes** - Interest generated - Minimum of 15 applications received in initial RFA; -reports of analysis and recommendations for awards generated; -Minimum of 8	UNCDF	1.1 Programme marketed, RFA issued, applications received and reviewed, due diligence missions made as needed, awards made, government endorsement obtained	114,000	116,800	0	0	0	0	0	230,800
		1.2 Grantees begin implementation, report as required by PBAs, are monitored by UNCDF and receive tranches as conditions are met	0	5,001,000	4,075,300	3,575,300	3,075,300	569,300	500	16,296,700

Development Outcome: Contribute to the development of strong inclusive financial sectors and the achievement of the Millennium Development Goals (MDGs), particularly the specific goal of poverty reduction in half by 2015, by supporting the expansion of microfinance market leaders in underserved countries. **Programme Outcome:** Increased, sustainable access to appropriate demand-driven reasonably-priced responsible financial and non-financial products and services, with a focus on savings mobilization, to more than 450,000 low income people, at least half of whom are women and at least half of whom reside in rural areas.										
Programme Outputs	**Exe-cuting Agency**	**Indicative activities for each output**	**Resource Allocation and Indicative Timeframe**							**Total (USD)**
			2011	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	
grants awarded Depth and breadth of outreach increased; -450,000 new clients reached by end of project -50% of those reached are women; -Funds remaining after initial RFA utilized to repeat previous steps - At least 8 FSPs/TSPs have a credible plan for offering savings products and are on trend to profitability in accord with business plans										
Subtotal Output 1			**114,000**	**5,117,800**	**4,075,300**	**3,575,300**	**3,075,300**	**569,300**	**500**	**16,527,500**
Output 2: Knowledge generated and disseminated among FSPs, TSPs, policy makers, donors	UNCDF	2.1 Case studies, and policy or programme briefs are researched and disseminated	0	0	65,400	65,400	161,600	161,600	0	454,000

Programme Outputs	Exe-cuting Agency	Indicative activities for each output	Resource Allocation and Indicative Timeframe							Total (USD)
			2011	2012	2013	2014	2015	2016	2017	
and other stakeholders related to savings mobilization, Greenfield operations and technical assistance provision. **Target Outcomes** -Greenfield/savings mobilization best practices identified, documented and disseminated among stakeholders;	UNCDF	2.2 Programme convenes national and regional meetings to share lessons	0	15,900	15,900	39,800	156,000	15,000	0	242,600
		2.3 Lessons learned, summaries written and presentations made in national and international fora	0	0	9,400	19,300	19,300	55,200	0	103,200
Subtotal Output 2			**0**	**15,900**	**90,700**	**124,500**	**336,900**	**231,800**	**0**	**799,800**
Output 3: An efficiently-managed and	UNCDF	3.1 Programme Staffing	77,392	302,109	306,111	650,301	791,828	807,664	354,516	3,289,920

Development Outcome: Contribute to the development of strong inclusive financial sectors and the achievement of the Millennium Development Goals (MDGs), particularly the specific goal of poverty reduction in half by 2015, by supporting the expansion of microfinance market leaders in underserved countries. **Programme Outcome:** Increased, sustainable access to appropriate demand-driven reasonably-priced responsible financial and non-financial products and services, with a focus on savings mobilization, to more than 450,000 low income people, at least half of whom are women and at least half of whom reside in rural areas.										
Programme Outputs	**Exe-cuting Agency**	**Indicative activities for each output**	**Resource Allocation and Indicative Timeframe**							**Total (USD)**
			2011	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	
evaluated programme with top talent and expertise meeting or exceeding all targets. **Target Outcomes** **-** Programme staffed and operations (technical and financial) are performed efficiently -Targets met or exceeded -Lessons learned and incorporated after Gates Foundation-funded mid-term and final reviews -Lessons learned shared with stakeholders		3.2 Final Evaluation	0	0	0	622,500	0	622,500	0	1,245,000
		3.3 Administrative Fee	14,406	409,147	336,610	374,282	316,432	167,945	26,722	1,645,543
Subtotal Output 3			**91,798**	**711,256**	**642,721**	**1,647,083**	**1,108,260**	**1,598,108**	**381,238**	**6,180,464**
Total Funding (USD)			**205,798**	**5,844,956**	**4,808,721**	**5,346,883**	**4,520,460**	**2,399,208**	**381,738**	**23,507,764**

VII. Management and Coordination Arrangements

UNCDF FIPA has the organizational capacity and expertise for expanding MicroLead to new countries. FIPA currently implements Inclusive Finance (IF) sector-development programmes in 24 LDCs with 85 FSPs[44]. In each country where an IF programme is in place, it also works with meso-level associations, audit firms, accounting firms, training institutes, etc as well as at the policy, or macro, level. In its BIFSA Africa regional programme, FIPA has created two regional hubs, in Dakar covering the west and central African region (WCA) and Johannesburg, the southern and eastern Africa region (SEA), where Regional Technical Advisors (RTAs) are located. These Regional Technical Advisors work closely with the Country Technical Advisors (CTAs). In addition to supporting CTAs and/or Technical Service Providers who are stationed in each country where there is an IF programme, regional technical staff also provide technical assistance to UNDP in 16 additional Africa countries.

The technical strength of UNCDF's regional decentralized structure noted in the CGAP SmartAid review (see **Annex M**) makes it a strong partner through which to channel funds. UNCDF has six staff in the FIPA unit at headquarters in New York, one of whom is 100% dedicated to MicroLead, and four regional offices (Dakar, Johannesburg, Bangkok, and Suva) with RTAs working in collaboration with CTAs. Within SSA, UNCDF's FIPA has on-the-ground staff in 15 countries (see **Annex G**). In addition, FIPA has one full-time specialist based in HQ dedicated to knowledge management and communications within the practice area. UNCDF's Africa and Asia Offices are charged with providing inclusive finance technical support to UNDP offices in non-LDCs, thus FIPA knowledge of non-LDCs is extensive. Through the existing UNCDF infrastructure, funding partners can thus be assured that MicroLead FSPs/TSPs will be monitored in a cost-efficient manner.

As the implementing agency for the programme, UNCDF will be responsible for all the activities described in this programme document. These include:

- managing the programme funds;
- ensuring programme quality assurance (both technical and operational);
- monitoring and evaluating; and,
- partnership-building to catalyze additional contributions.

The Programme Management Unit (PMU) will consist of a Programme Manager (PM) and two Programme Specialists (PS). The PM, who leads this team, will be based in New York where he/she will report to the FIPA Director. Terms of reference for the PM and the initial PS are attached as **Annex Q1 and Q2**. The PMU will be responsible for:

- Overall programme management;
- Delivery of the programme outputs in a cost-effective and timely manner;
- Preparation of reports and reviews due to the funding partners;
- Managing the RFA process, ranking and making recommendations for award of capital grants;
- Managing the awarding and funding to FSPs/TSPs (TA or Greenfield);
- Preparing, negotiating, selecting and managing the PBAs with FSPs and TSPs;
- Coordinating the monitoring of FSPs/TSPs;

[44] UNCDF FIPA Business Plan 2010-2013.

- Developing detailed strategies for knowledge and learning, and knowledge management including online networks;
- Assisting in the design and coordination of studies - including ensuring that a common methodology is used for an impact study, if one is planned.

The PMU will work closely with the RTAs and CTAs to manage the programme. With the support of the PMU, the PM will be responsible for coordinating the RFA, vetting the proposals, coordinating the due-diligence as well as monitoring and evaluating the programme against its targets. The RTAs will dedicate 15% of their time to support Output 1 and 2[45]. Partial salaries for RTAs are included in the budget as their involvement in the programme is key with respect to (i) market intelligence, (ii) support in obtaining government endorsement and (iii) monitoring.

The two PSs will be based at a Regional Office in Africa[46]. The PSs will report to the Senior Regional Advisor Inclusive Finance in the Regional Office, while seeking technical guidance from the MicroLead PM on technical matters related to MicroLead. Given the PM's accountability on the project results, the PM will have the final decision regarding those aspects. Performance reviews of the PSs will be conducted jointly by the Senior Regional Advisor Inclusive Finance, Regional Office, and the MicroLead PM. The PSs will provide programme administration, management and technical support to the PM. The PSs will work closely with the CTAs and RTAs to conduct monitoring missions. They will also contribute to the KM activity by designing case studies, newsletters, organizing workshops and managing consultants.

UNCDF CTAs will provide on-going technical support to the programme implementation in their respective countries. CTAs will report to and be supported by the UNCDF Heads of Regional Offices based in Johannesburg or Dakar and the Senior Technical Advisor in Bangkok. The CTAs will also be responsible for creating the necessary linkages to FIPA IF programmes where they exist and initiating and carrying out government endorsement process.

The regional offices in Dakar and Johannesburg have six RTAs who are responsible for overseeing 4-5 countries each. Together, they will be responsible for reviewing the applications in their respective countries, vetting FSP/TSP applications, and supporting and/or conducting due diligence and monitoring missions.

Host countries interested in participating in this programme will be asked for government endorsement in order to facilitate the entry of the selected FSPs/TSPs. Where constraints emerge to the expansion of services, the host country will also agree to make the best effort to address those constraints.

VIII. Visibility and Outreach

For all of its KM and promotional materials, the MicroLead Expansion programme will include The MasterCard Foundation, the Bill & Melinda Gates Foundation and UNCDF logos.

[45] The budget allocates resources for a maximum of 3 RTAs at 15% of their time.
[46] One Programme Specialist will be based in SEA Regional Office. The second Programme Specialist, hired in Year 3, will be based in one of the two SSA regional offices depending on where grantees are located.

To the extent possible, it will acknowledge the important role The MasterCard Foundation plays in supporting the expansion of the programme, while ensuring such branding and attribution remains in compliance with UNCDF branding standards and requirements. All programme-related publications (documents, brochures, press releases, websites, newsletters, results-reporting, banners etc.) and events (press conferences, programme seminars, public events and visits) will bear the names of all partners (with the appropriate logo of the organization).

UNCDF has a communications unit in New York with sufficient capacity to ensure adequate visibility, outreach and communication of development activities and results in the region. FIPA global programmes receive very strong support and ownership by the Governments of the countries covered by them. Hence, contributions to FIPA programmes would generate considerable attention among the respective Governments.

In order to maximize visibility, new partnerships will be announced by means of a targeted communication e.g. press release to all relevant programme country stakeholders, including Government ministries in the region and relevant permanent UN missions in New York, as well as the general public (on UNCDF, UNDP and UN global and regional websites). Partners will be mentioned in our contacts with the Governments in the region and their representatives in New York e.g. via a direct email or in combination with the above-mentioned press release.

IX. Fund Management Arrangements

The programme can be financed through partnerships with bilateral donor agencies, multilateral organizations (Multilateral banks and UN agencies) as well as private foundations. The fund management modality will be parallel[47] with standard cost-sharing agreement signed by donor and UNCDF.

UNCDF will programme the funds and manage the activities specified in the Resources and Result Framework (RRF) in line with its established rules and regulations. Direct implementation (DEX) will be the implementation modality for all activities under this programme. The administration of this Programme shall be governed by UNCDF's policies, rules and regulations, as defined in the UNCDF Operations Manual (OM).

The expansion phase of the MicroLead programme will be primarily funded by The MasterCard Foundation. UNCDF and The MasterCard Foundation will enter into a Cost-Sharing Agreement. UNCDF will programme the funds and manage the activities specified in the RRF in line with its established rules and regulations. **Annex B** provides an overview of the programme budget.

Other development partners wishing to make use of these arrangements would be able to do so, under cost-sharing arrangements. Development partners will be able to participate in key decision points in the process based on time, technical capacity and interest.

[47] The parallel funding option is used here even though there is only one participating agency. If in the future other UN agencies choose to participate in this programme, the funding modality can remain parallel or become pooled (with UNCDF as managing agent), pass-through or a combination. The decision to select one or a combination of fund management options for a joint programme should be based on how to achieve the most effective, efficient and timely implementation, and to reduce transaction costs for national partners, donors and UN agencies.

Transfer of cash to FSPs/TSPs

UNCDF's standard PBA will be used with grant recipients. After reference and data checks (including unqualified financial audit reports), the cash grants will be transferred to the selected FSPs/TSPs through wire transfers to their bank accounts, only after representatives of all parties have agreed to the nature of the collaboration and the use of the grant funds. Subsequent transfers will be initiated as grantees meet disbursements conditions and targets.

X. Monitoring, Evaluation and Reporting

Monitoring and Reporting

All FSPs/TSPs supported under this programme will be required to report quarterly to UNCDF (typically to the CTA and, where there is no FIPA IF programme, to the RTA and PMU), using a standard performance reporting format, including indicators on outreach, portfolio, savings, etc. See **Annex R** for the standard quarterly reporting format. Annually, FSPs/TSPs will provide audited annual financial statements, and in the case of TA projects, audited statements of the FSPs being supported.

All FIPA FSP/TSP grantees are strongly encouraged to endorse the Client Protection Principles of the Smart Campaign. Pursuant to the FIPA standard PBA, all FSP grantees will report annually to UNCDF on their client protection activities (see **Annex H** for standard form of PBA).

Participating FSPs/TSPs will agree to provide necessary data and collaboration for case studies and briefs that will be produced as part of the programme knowledge management agenda. The exact scope and structure of such studies will be determined after programme start-up. It is expected that the combination of data available from quarterly reporting and monitoring plus case study/brief preparation and dissemination will help advance the savings-led model and provide a demonstration effect to other FSPs in the region.

The baseline for calculating outreach of the programme will be a starting point of zero (0) clients for the applications supported. As a condition of the grants, grantees (or the FSPs they are supporting) will consent to reporting to the MIX Market and forwarding their data to the Micro Banking Bulletin (MBB) for global and regional benchmarking. Banks and other types of participating FSPs will be asked to collect and share comparable indicators. All grantees will also provide multi-year business plans to UNCDF.

The corporate-level UNCDF strategy, described in the Corporate Management Plan (CMP), contains clear objectives and a results matrix. Results for each practice are reviewed yearly and published in the annual report. Implementation progress of activities that lead to results is followed during detailed quarterly reviews. The regional level (UNCDF's Regional Offices in Dakar, Johannesburg and Bangkok) facilitates aggregation and interpretation of results at the country level. Regional quarterly reviews of project progress help the country teams to stay on track and focus on results. During the project formulation stage, the project appraisal committee at HQ (in the presence of UNCDF Management, but also with the UNCDF Evaluation Advisor and Management Specialist), provides quality control and guidance to ensure the existence of a strong Results and Resources Framework and the existence of Monitoring & Evaluation arrangements in the project documents. This is the basis for annual and quarterly reporting at the project level.

Evaluation

UNCDF's Evaluation Approach

UNCDF is developing a new standardized approach to project and programme evaluation which is intended to promote greater ownership of the evaluation process and learning by the regional offices. This will allow the Evaluation Unit, based in New York, increased time to focus on strategic and thematic aspects of interest to the UNCDF practices areas and senior management more broadly.

This approach which began in 2010 emphasizes the development of an overall logic model for the Financial Inclusion area and accompanying evaluation matrixes of questions, sub-questions and indicators. This is intended to help direct evaluators to common areas of intervention logic as well as provide a basic and yet comprehensive "evaluation tool" for evaluators as they undergo their fieldwork. The standard matrix is a flexible evaluation tool which allows for, on the one hand, easier synthesis of results across a sample of country programmes and, on the other, flexibility in the choice of sub-questions being asked which allows a better fit with the programme being evaluated. Some of the potential MicroLead questions were presented earlier in the programme description section (under Output 2). Both the logic model and the standard matrix are provided in **Annexes S1 and S2**.

The UNCDF Evaluability Standard (see **Annex S3**) is used to assess initial project design in terms of quality and clarity of the results framework, the link between the programme strategy and the initial development problem, situation analysis and how clearly the arrangements for monitoring and evaluation are set out and funded.

Evaluation of the MicroLead Expansion Programme

The programme is subject to an independent mid-term[48] and final evaluation, managed by the UNCDF Evaluation Unit. An evaluation plan will be formulated at the start of project operations and UNCDF will solicit The MasterCard Foundation's input for its development. Both evaluations will be managed by UNCDF's independent Evaluation Unit.

In addition, a mid-term and final evaluation of the Gates Foundation-funded MicroLead programme will be conducted with reports available March 2012 and June 2014, respectively. All reporting and evaluations will be conducted inclusive of all MicroLead-funded projects irrespective of whether projects were funded by The MasterCard Foundation, Gates Foundation, UNCDF, or future funders. Evaluation reports will be shared on UNCDF's website and widely circulated to stakeholders.

[48] The existing MicroLead programme final evaluation will coincide with this mid-term evaluation, and will be conducted in lieu of the MicroLead Expansion Programme mid-term evaluation.

The final evaluation[49] of the MicroLead Expansion Programme will assess the programme's overall performance, the outputs and outcomes produced against its initial targets, the impact it has brought or would likely bring about with a focus on the progress toward providing access to demand-driven savings-focused products and services in a sustainable manner, its relevance to assisting UNCDF to achieve the targets of its business plan and management efficiency. The programme monitoring framework (see **Table 8**) presents the indicators including targets to be used when monitoring and evaluating this programme. The final evaluation of the expansion programme will also include a technical assessment of the results from the perspectives of the FSPs/TSPs. In addition, the final evaluation will build on the findings from the KM component of the project, and fill in any gaps needed to highlight programmatic and technical lessons learned on the benefit of savings and the microfinance industry, as a whole.

Funding for the evaluation is included in the programme budget. In countries where FSPs funded under this programme coincide with countries where UNCDF is supporting sector development programmes, these country-based evaluations will complement this final evaluation by examining the FSP's contribution to the development of an inclusive financial sector (competitive environment, range of products and services, etc).

XI. Legal Context

The programme will conform to the Standard Basic Assistance Agreement (SBAA) between the host governments and UNCDF. The host-country implementing agencies shall, for the purpose of the SBAA refer to the Government co-operating agency described in the Agreement. In countries that have not yet signed an SBAA with UNCDF, the UNDP SBAA shall apply.

UNCDF will act as the executing agency for the funds received for this programme while also acting as the implementing agency for the activities as specified in the RRF. The administration of this programme shall be governed by UNCDF's rules and procedures.

UNCDF will obtain a minimum of three LDC government signatures to this programme document to ensure government buy-in for the programme, and to facilitate the project's ability to encourage policy changes in favor of access to sustainable financial services in underserved markets and savings-led models. In countries where applications are approved by the FIPA IC, host governments will be asked to support by signing a letter of endorsement. Where constraints emerge to the expansion of services, the host country also agrees to make best effort to address those constraints.

[49] The final evaluation is a global evaluation covering all countries in the MicroLead portfolio.

Table 8: The MicroLead Expansion Programme Monitoring Framework (PMF)

	Narrative	Indicators (baseline/target and indicative timeframe)	Means of Verification (MoV)	Responsibilities	Risks & assumptions
Specific Objective: The outcome by the end of the programme (2017) will be increased sustainable access to appropriate demand-driven reasonably-priced responsible financial and non-financial products and services, with a focus on savings mobilization, to more than 450,000 low income people, at least half of whom are women and at least half of whom reside in rural areas.					
Expected Output 1	*Sustainable FSPs (Greenfield/TA) providing access to demand-driven, responsibly-delivered, savings-focused financial and non-financial products and services to low income people in underserved areas.*				
	Market programme (and Issue EOI) 1.1 Issue RFA (2011) 1.2 Review Applications (2012) 1.3 Make grant awards (2012) 1.4 FSPs/TSPs implement business plans 1.5 Review additional applications on rolling basis or Issue additional RFAs/Make awards/FSPs/TSPs implement business plans	**Baseline:** # and % female and # and % rural of existing clients at FSPs receiving grants or technical assistance # of FSPs/TSPs with non-financial service products #of borrowers and depositors <u>Targets Year 1</u> -At least 8 grants issued to FSPs/TSPs <u>Targets Year 2</u> -At least 8 FSPs/TSPs have a credible plan for offering savings products. -80,000 increase in # of FSPs/TSPs clients by end of 2013 -At least 8 FSPs/TSPs are on trend to profitability in accord with business plans. <u>Targets Year 3</u> -200,000 increase in # of FSPs/TSPs clients by end of 2014 -At least 8 FSPs/TSPs are on trend to profitability and other financial indicators in accord with business plans. <u>Targets Year 4</u> -300,000 increase in # of clients by 2015 -At least 8 FSPs/TSPs are on trend to profitability and other financial indicators in accord with business plans. <u>Targets Year 5</u>	Responses to EOI and consequent RFAs # of agreements signed Quarterly reports, as well as reports of on-site (at least one per year) visits to FSPs/TSPs Quarterly FSP/TSP reports, MIX market and final evaluation of MicroLead I (2014) Quarterly FSP/TSP reports, MIX market Quarterly FSP/TSP reports, MIX market and final evaluation of the Expansion programme (2017)	UNCDF External consultants to review RFA applications UNCDF & FSPs/TSPs	Risk of generating low interest Risk of generating low responses to RFAs Assume government endorsement is obtained in reasonable time Assume licenses are obtained in timely manner Assume FSPs/TSPs will see value in investing in sub-Saharan Africa Assume FSPs/TSPs will see value in investing in savings led model

	Narrative	Indicators (baseline / target and indicative timeframe)	Means of Verification (MoV)	Responsibilities	Risks & assumptions
		-450,000 increase in # of clients by end of programme (50% of whom are female and 50% are rural) by 2016 -FSPs continue to sustainably expand outreach after end of programme support contributing to an inclusive financial sector in their respective countries			
Expected Output 2	*Knowledge generated and disseminated among FSPs, TSPs, policy makers, donors and other stakeholders related to savings mobilization, Greenfield operations and technical assistance provision.*				
	2.1: Case studies and policy or programme briefs are researched and disseminated 2.2: Programme convenes national and regional meetings to share lessons 2.3: Lesson learned, written summaries and presentations made in national and international forums.	**Baseline:** None -Lessons learned on MicroLead collected and presented at 6 Country and/or Global forums -MicroLead Expansion on agenda of FIPA Global Annual Retreat -Teamworks on the internet is launched and active (expected membership of 50 by 2014) **Targets** (by Year 2017): - 6 case studies produced on savings-focused methodologies - 6 policy or program briefs - 8 presentations by grantees at trainings or conferences - All grantees report performance data on the MIX Market - 4 national or regional meetings convened to improve TA/Greenfield operations in the field -8 meetings with policymakers	Deliverables collected, reviewed and disseminated Feedback from all stakeholders on the value and utility of the deliverables from quarterly reports and the final evaluation Quarterly reports from Programme manager Midterm and final evaluations of MicroLead I	UNCDF & FSPs/TSPs External technical consultants	
Expected Output 3	*An efficiently-managed and evaluated programme with top talent and expertise meeting or exceeding all targets.*				
	3.1 Programme staffing 3.2 Programme evaluation	**Baseline: None** - One MicroLead Manager and two MicroLead Programme Specialist are hired -Mid-term evaluation (conducted	Evaluation reports Staff performance reviews	UNCDF External evaluation consultants	Government endorsement delaying activities Funds are disbursed on time Licensing issues/challenges

	Narrative	Indicators (baseline/target and indicative timeframe)	Means of Verification (MoV)	Responsibilities	Risks & assumptions
		jointly with Gates-funded MicroLead Final evaluation) and Final evaluation are conducted and both reports are submitted to funders -All activities undertaken on time and outputs meeting and/or exceeding targets	Quarterly reports (both quantitative and narrative)		are mitigated in a timely and cost-effective manner

XII. Annexes

- Annex A: Objectives, Activities and Outcomes Summary
- Annex B: Budget Overview
- Annex C: MicroLead Outreach Actual and Projections
- Annex D: MicroLead Success Stories
- Annex E: MIX Market FSPs with over 50,000 depositors and 4-5 Diamonds
- Annex F1 and F2: Existing MicroLead Application Format
- Annex G: Organizational chart
- Annex H: Standard PBA Template
- Annex I: FIPA Knowledge Management Strategy Summary
- Annex J: CGAP Financial Access 2010 Sub-Saharan Africa Factsheet
- Annex K: SSA Key Financial Institution Indicators
- Annex L: FIPA Activities
- Annex M: CGAP SmartAid 2011
- Annex N: Key Staff Biographies
- Annex O: Risk Assessment
- Annex P: Workplan
- Annex Q1 and Q2: Programme Manager and Programme Specialist Terms of Reference
- Annex R: Standard Reporting Format
- Annex S1, S2, and S3: Evaluation Matrix, Logic Model and Evaluability Standard

ANNEX A: Objectives, Activities and Outcomes Summary

Objective 1	• *Sustainable FSPs (Greenfield/TA) providing access to demand-driven, responsibly-delivered, savings-focused financial and non-financial products and services to low income people in underserved areas*	
Activities	**Measurable outputs**	**Target outcomes**
1.1 Market programme	• Number of meetings held with prospective applicants • EOI issued	• Interest generated
1.2 Issue RFA	• RFA issued	• Minimum of 15 applications received
1.3 Review applications	• Consultants hired • On-site appraisals for TA proposals, and if warranted for Greenfield proposals • Applications reviewed and ranked	• Analysis and recommendations for awards prepared
1.4 Make awards	• Investment Committee held • Negotiations with FSPs re: (i) strengthening applications and (ii) PBA terms and conditions • Government endorsement obtained • PBAs executed	• Minimum 8 awards made
1.5 Monitor FSPs/TSPs	• Quarterly reporting to UNCDF and MIX Market • PBA monitoring to determine compliance and confirm disbursement conditions met • On-site mission to each project at least once per year • Tranches disbursed	• Depth and breadth of outreach increased • 450,000 new clients, at least half of whom are women and at least half of whom reside in rural areas, reached by end of project

	• Stocktaking and revisions to plans, as necessary	
1.6 Review additional applications on rolling basis or via additional RFAs/Make awards/Monitor FSPs/TSPs	• On-site appraisals for TA proposals, and if warranted for Greenfield proposals • Applications reviewed and ranked	• If funds for FSPs/TSPs remaining after initial RFA, continue with 1.2-1.5 until all funds committed

Objective 2	• *Knowledge generated and disseminated among FSPs, TSPs, policy makers, donors and other stakeholders related to savings mobilization, Greenfield operations and technical assistance provision.*	
Activities	**Measurable outputs**	**Target outcomes**
2.1 Case studies, publications, presentations on lessons learned scaling up savings services	• At least 6 case studies, highlighting FSP savings mobilization experiences • At least 6 policy or project briefs • At least 8 presentations by FIPA staff and/or FSP grantees at trainings or conferences	• Greenfield/savings mobilization best practices identified, documented & disseminated among stakeholders
2.2 UNCDF and partner FSPs participate in country, regional and global forums to share lessons learned and contribute to body of knowledge of savings mobilization	• At least 4 (3 national and/or regional and 1 global) meetings convened with industry stakeholders and policymakers to apply lessons learned for better enabling environment	• Greenfield/savings mobilization best practices identified & disseminated among stakeholders

Objective 3	• *An efficiently-managed and evaluated programme with top talent and expertise meeting or exceeding all targets.*	
Activities	**Measurable outputs**	**Target outcomes**
3.1 Programme staffing	• Programme Manager • 2 Programme Specialists	• Programme well managed • Targets met or exceeded
3.2 Programme evaluation	• Final Evaluation undertaken	• Lessons incorporated into programme after Gates-funded programme Mid-Term and Final Evaluations • Lessons shared with stakeholders
3.3 Administration and Facility		

ANNEX B: MicroLead Expansion Programme Budget Overview

	Activity 1 Cumulative Total in USD	**Activity 2** Cumulative Total in USD	**Activity 3** Cumulative Total in USD
Timing of the funding requirements			
Estimated activity start date	Oct 2011	Jan 2012	Oct 2011
Estimated activity end date	June 2017	Dec 2016	June 2017
Funding requirements			
Employee Salary and Wages	0	0	3,279,920
Professional Fees	108,000.00	252,000	882,600
Travel and accommodation	384,000	429,800	263,400
Publication Printing	30,000	48,000	59,000
Grants to FSPs	16,000,000	0	0
Programme Specific Expenses	5,500	70,000	50,000
7% Maximum Allowable Allocated Program Delivery Fee	1,244,005	60,200	341,338
Total Funding requirements	**17,771,505**	**860,000**	**4,876,258**

Annex C: MicroLead Outreach Actual and Projections 2008-2013

				2008 Actual		2009 Projected		2009 Actual		2010 Projected		2010 Actual		2011 Projected		2012 Projected		2013 Projected	
2008-2010 Executed		Intervention	PBA Date	Savers	Borrowers	Savers	Borrowers	Savers	Borrowers	Savers	Borrowers	Savers	Borrowers	Savers	Borrowers	Savers	Borrowers	Savers	Borrowers
1	BRAC South Sudan	Greenfield	6/11/2008	14,614	10,402	15,000	15,000	22,303	14,247	64,800	64,800	26,752	18,498	22,620	22,620	25,172	25,172	33,930	33,930
2	SUMI South Sudan	Post-conflict	25/11/2008	0	8,657	0	9,350	0	10,045	0	11,000	0	10,389	0	13,500	0	18,638	0	24,850
3	Finance Sudan	Post-conflict	1/12/2008	0	1,014	0	4,500	0	1,163	0	7,500	0	2,764	0	4,714	0	7,894	0	11,074
4	Equity South Sudan	Greenfield	9/12/2009	0	0	6,000	150	8,808	264	30,000	2,000	28,038	2,205	65,000	4,000	90,000	8,000	132,000	15,000
5	OISL DRC	Greenfield	22/10/2009	0	0	0	0	0	0	4,275	3,985	0	0	14,225	13,067	30,850	28,245	53,100	45,885
6	BASIX Bhutan	TA to BDFCL	3/12/2009	9,701	18,156	14,299	21,964	12,171	19,359	18,589	26,357	22,767	24,519	26,024	32,946	39,036	42,830	58,554	57,820
7	BASIX Timor Leste	TA to TRM	1/12/2009	50	2,863	400	2,800	486	2,838	475	3,300	2,735	3,862	1,560	5,130	4,418	8,930	10,765	13,930
8	BRAC Liberia	Greenfield	22/10/2009	0	0	0	8,175	0	8,033	0	33,525	0	20,559	32,925	57,330	40,275	70,655	42,900	75,455
9	BRAC Sierra Leone	Greenfield	22/10/2009	0	0	0	8,175	0	8,274	0	36,630	0	16,837	40,650	70,385	59,625	103,815	72,563	127,236
10	CARD Laos	TA to 9 orgs	6/12/2010	12,575	7,532			15,484	8,404			18,350	8,954	29,321	18,092	41,549	25,215	57,159	32,561
	Total			36,940	48,624			59,252	72,627			98,642	108,587	232,325	241,784	330,925	339,394	460,971	437,741

ANNEX D: MicroLead Success Stories

Equity Bank in South Sudan-A Greenfield Success

Equity Bank (Kenya) initiated operations in Juba, South Sudan, in June 2009, after notification of a MicroLead grant to support this Greenfield. It has met its performance targets for 2009 and 2010. It ended 2010 with 28,000 depositors and as of April 2011 has 37,000 depositors. It projects to reach 132,000 depositors by the end of 2013. Today approximately 20% of its clientele are women while its target for 2013 is 55% women. This is important to note since Equity has learned that in South Sudan there are inherent cultural issues which hinder women from actively participating in economic activities so only a small population of women is currently active. PAR 30 is zero. It became operationally sustainable within nine months. Initial projections showed the bank mobilizing $6.3 million by December 2010 and $32 million by December 2013, but uptake of savings products has far exceeded the projections with $54 million mobilized by the end of 2010. The projected leverage (net increase in savings divided by the grant amount) at the end of the grant (Dec 2013) based on application figures was 12.84. But, as of the end of 2010, the leverage achieved is already 21.6.

It has accomplished all this in a country context which is one of the toughest in the world where operating expenses are extremely high (e.g., all construction materials must been trucked in from Nairobi or Kampala, the cost of labor in Sudan is over seven times that of Kenya), the legal framework is evolving, parts of the country remain in conflict, the road network is almost non-existent. In addition, Equity learned that there is a very high dependency ratio in south Sudan with one worker supporting a minimum of 15 dependants. The economy relies heavily on export of oil which accounts for over 98% of total exports. There is a dearth of manufacturing in the country with almost everything being imported. Human resource capacity is also a significant issue but Equity has invested heavily in local staff, developing a Local Staff Development Program which identifies local staff with high potential and provides them with accelerated leadership and technical training. Periodically, it sends 'high potential' staff to its operations in Kenya and Uganda for three month periods for on-the-job training. These initiatives have resulted in an impressive number of national staff rising to supervisory and managerial roles.

Equity Bank Southern Sudan (EBSS) employs a variety of distribution channels, such as brick and mortar branches, ATMs, POS and internet banking. It has engaged the government in discussions on agent banking which it views as the "most appropriate empowerment and access vehicle" due to the many logistical challenges of operating in the country.

To date, branches are open in Juba (2) and Yei (1). Another branch, in Juba, is awaiting regulatory approval while a fifth, in Yambio, is under construction. In addition, to deepen outreach and reach more rural communities, the bank has procured leases for branches in Nimule, Torit and Bor, all three of which are scheduled to open in 2011. With the addition of these branches, country coverage will be approximately 45%.

EBSS is seeking to aggressively target customers at the bottom of the pyramid through the following methods:

- Increase its outreach in rural areas to enable easy access to financial services to the rural population by establishing branches in areas of high agricultural potential;
- Collaborate with the government and other stakeholders to make credit to agricultural sector accessible;

- Provide financial literacy programs to organized groups as well as through mass media; and
- Offer a wide range of products to meet its clients' needs.

EBSS (and its parent holding company) is a mission-driven organization. Its mission includes both social and economic objectives. Wherever Equity does business, it focuses on sustainability (business objective) and on the economic and social transformation of communities (social objective). In Sudan, it pursues this mission by:

1. Seeking cost reduction opportunities so that it can pass the benefits to its clients through reduced fees, charges, and rates. EBSS charges 18% on its business loans and 15% on its consumer loans. These rates are comparable to the East African market despite South Sudan being a riskier and more expensive market in which to operate.
2. Maintaining a very transparent, reasonable and well displayed tariff guide.
3. Responsible lending characterized by thorough appraisal and monitoring to ensure its clients are not saddled with financial burdens beyond their means.
4. Deliberately targeting marginalized groups such as women, youths, and war veterans who are vulnerable especially in an economy characterized by very low per capita incomes and astronomical inflation.
5. Lobbying regulators and authorities to create a platform for easy and cheaper access to the market which will translate to affordability and more access to local communities. In addition to lobbying for agent banking, it has also been a leader in efforts to lobby for the requisite laws to govern financial intermediation at the grass roots, e.g. chattels mortgage law, auctioneers and bailiffs law, higher purchase law, land tenure laws, etc.
6. Running an elaborate complaint handling and escalation mechanism to ensure clients' issues are addressed at appropriate levels and in a timely manner.
7. Governed by a Board which measures management not just on business performance but also on achievement of social and economic transformation of communities.

While average loan and deposit amounts are high overall, when the data is parsed it can been seen that a few large depositors and borrowers skew the average. As shown below, 78% of the number of borrowers and 56% of the loan portfolio is represented by loans under 10,000 SDG ($3,700) while 95% of the number of depositors and 15% of the deposit amount is represented by deposits of less than 10,000 SDG. The bulk of small depositors, those with balances under 100 SDG ($37), represent 57% of all depositors.

EQUITY BANK SUDAN

DEPOSITS & ADVANCES DISTRIBUTION AS AT 31 DEC 2010

DEPOSIT SIZE "sdg"	NO OF DEPOSITORS	CUMM. DEPOSIT AMOUNT
0-100	15,857	197,320
101-500	3,636	937,485
501-1,000	1,584	1,162,738
1,001-5,000	3,812	9,154,929
5,001-10,000	1,259	8,949,063
10,001-50000	1,495	31,646,435

50,001-100,000	211	14,482,875
OVER 100,000	184	68,546,095
TOTAL DEPOSITORS	28,038	135,076,939
OUTSTANDING LOAN SIZE "sdg"	NO OF CUSTOMERS	CUMM. LOAN AMOUNT
0-500	114	39,718
501-1,000	175	135,011
1,001-5,000	872	2,292,053
5001-10,000	554	4,220,312
10,001-20,000	393	5,205,184
20,001-50,000	51	1,411,925
50,001-100,000	35	2,435,351
OVER 100,000	11	5,313,180
TOTAL BORROWERS	2,205	21,052,734

BASIX in Timor Leste-A Technical Assistance Success

Over a 14 month period, Dec 2009 to February 2011, the MicroLead-funded technical assistance project of BASIX (India) to support Tuba Rai Metin (TRM) in Timor Leste has resulted in extraordinary growth, surpassing all milestones set in the performance-based agreement. This is even more remarkable when taking into consideration the country context with Timor Leste being post-conflict and post-colonial, where over 70% of the population live on less than $2 per day, unemployment is estimated at over 50% of the labor force and human resource capacity is very low. It is estimated that less than five percent of the population has access to banking services. TRM's key results are shown in the table below:

Type	Particular's	As on Dec-2009	As on Feb-2011	Growth % (+ or –)
Outreach	Number of Branches	4	11	+ 175%
	Total HR	40	90	+ 125%
	Active Credit Clients	2838	5213	+ 84%
	Total Saving Accounts	486	3161	+ 550%
Financial	Loan Outstanding	437,162	1,200,497	+ 175%
	Saving Amount	16,671	130, 564	+ 683%
	Total Assets	753,495	1,531,240	+ 103%
	Equity	567,549	816,452	+ 44%
	Borrowings	75,000	375,000	+ 400%
	Net Profit (As on 31-Dec-2010)	47,553	116,477	+ 145%
	RoA (As on 31-Dec-2010)	4.8%	8.1%	+ 70%
Ops	OSS	121%	131%	+ 8%
	PAR > 30 days	17.4%	3.5%	- 80%
	Operating Expenses Ratio	46%	33%	- 29%

In addition to these financial results, BASIX has supported TRM to complete its registration with the Ministry of Justice and is helping TRM in its application to the Banking and Payment Authority for an "Other Deposit Taking Institution" license[1] which will allow it to continue to mobilize savings, with a cap of $1 million. Plans for the coming years include supporting TRM to obtain a C-grade banking license which will allow it to mobilize savings above $1 million. Also, TRM accessed two loans from FIPA's IF programme, each for $150,000, and was able to access its first commercial loan at the end of 2010, a $300,000 loan from Triodos. Loan proposals are in the pipeline to ANZ Bank, responsAbility, Blue Orchard and Grameen Credit Agricole.

When this MicroLead programme started, 4 branches were operational in the eastern half of the country. Today, there are 11 branches covering the whole country. TRM now has a 12% market share which it plans to increase to 30% by the end of 2011.

Two ratings have been conducted by M-CRIL. The first rating, conducted in March 2009, resulted in a B- rating (below investment grade). The second rating, conducted in December 2010, resulted in a B rating (investment grade) with a positive outlook and included the following "The partnership with BASIX has improved TRM's performance in areas of operational system, governing structure, financial performance and business growth. With support from UNCDF and BASIX, TRM has grown sizably in the last year." The first ever external audit was completed in December 2009 (a second audit has also been completed in December 2010).

New software has been chosen and is currently being installed. Discussions are underway regarding branchless banking operations through a network of agents.

UNCDF's inclusive finance programme in Timor Leste has initiated the development of a Progress Out of Poverty Index (PPI). TRM has committed to employing this PPI in order to assess its clients' status as per the National Poverty Line, and monitor how their status may change over time.

At the end of 2010, the interest rate on loans was reduced from 36% to 21-27% (flat basis). TRM is committed to reducing it further, to 18%-24%, over the next few years. This will help retain clients and make TRM more competitive vis-a-vis the other MFI in Timor Leste which offers loans at an EIR of 38.6%. Two savings products have been piloted, with good response, and rolled out. An agriculture loan product is currently being piloted and will be rolled out across the country.

The mission has been refined to "Financial services to the unreached families in Timor Leste" from "Credit to Females of Timor" in order to broaden its outreach and yet focus its services to those un- and under-banked. TRM's clients are 100% women.

A summary of the short term consultancies implemented by BASIX and their impact is shown below:

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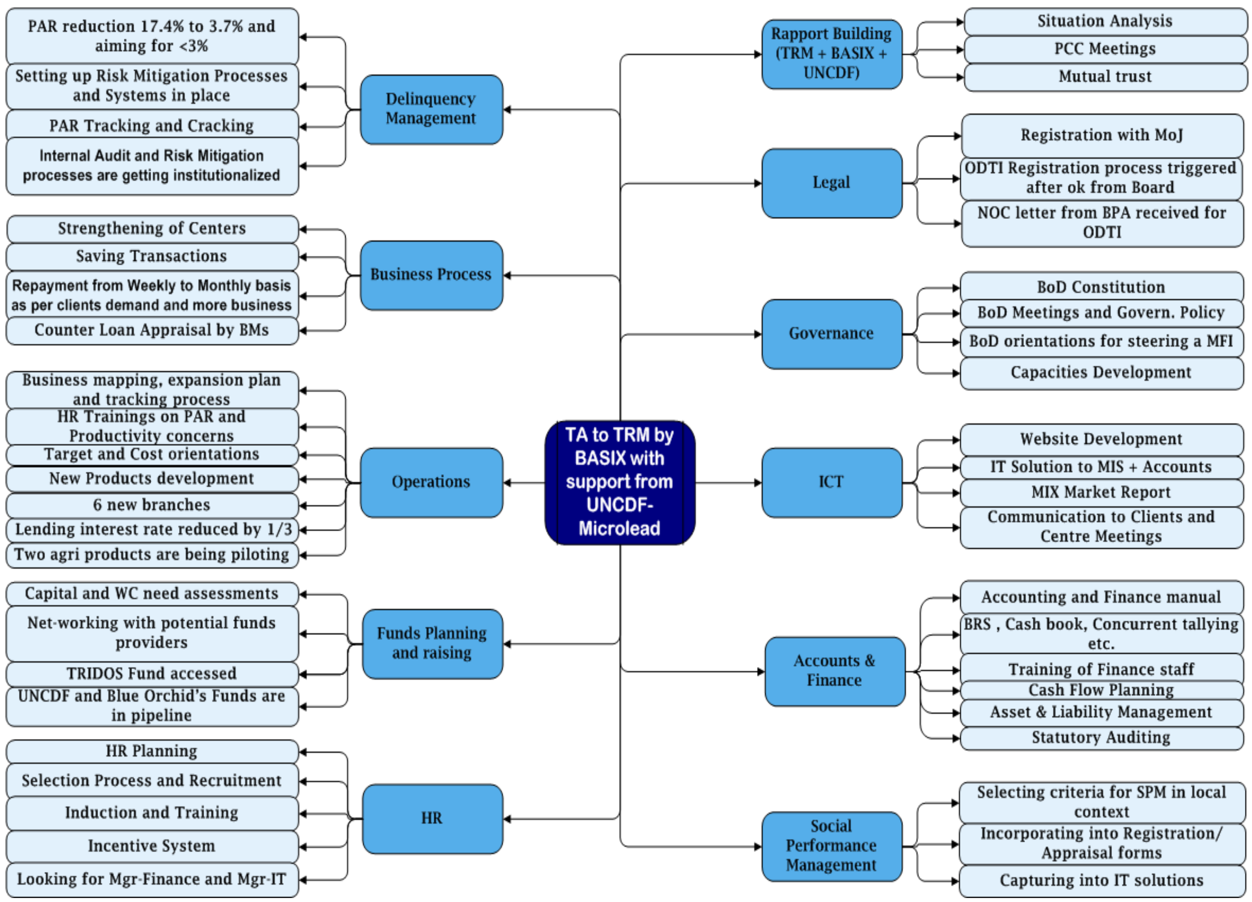
[1] ODTI legislation enacted on 17 December 2010.


TA to TRM by BASIX with support from UNCDF-Microlead
Delinquency Management
PAR reduction 17.4% to 3.7% and aiming for <3%
Setting up Risk Mitigation Processes and Systems in place
PAR Tracking and Cracking
Internal Audit and Risk Mitigation processes are getting institutionalized
Business Process
Strengthening of Centers
Saving Transactions
Repayment from Weekly to Monthly basis as per clients demand and more business
Counter Loan Appraisal by BMs
Operations
Business mapping, expansion plan and tracking process
HR Trainings on PAR and Productivity concerns
Target and Cost orientations
New Products development
6 new branches
Lending interest rate reduced by 1/3
Two agri products are being piloting
Funds Planning and raising
Capital and WC need assessments
Net-working with potential funds providers
TRIDOS Fund accessed
UNCDF and Blue Orchid's Funds are in pipeline
HR
HR Planning
Selection Process and Recruitment
Induction and Training
Incentive System
Looking for Mgr-Finance and Mgr-IT
Rapport Building (TRM + BASIX + UNCDF)
Situation Analysis
PCC Meetings
Mutual trust
Legal
Registration with MoJ
ODTI Registration process triggered after ok from Board
NOC letter from BPA received for ODTI
Governance
BoD Constitution
BoD Meetings and Govern. Policy
BoD orientations for steering a MFI
Capacities Development
ICT
Website Development
IT Solution to MIS + Accounts
MIX Market Report
Communication to Clients and Centre Meetings
Accounts & Finance
Accounting and Finance manual
BRS , Cash book, Concurrent tallying etc.
Training of Finance staff
Cash Flow Planning
Asset & Liability Management
Statutory Auditing
Social Performance Management
Selecting criteria for SPM in local context
Incorporating into Registration/ Appraisal forms
Capturing into IT solutions

Annex E: MIX Market Institutions with over 50,000 depositors and 4-5 Diamonds

	Name	Country	Diamonds	Number of depositors	ROA	PAR>30	Avg deposit bal/depositor /GNI/capita	Avg loan bal/borrower /GNI/capita
1	BRAC	Bangladesh	4	8,359,993	3.74%	8.01%	6.00%	18.23%
2	Grameen Bank	Bangladesh	4	7,970,000	0.43%	6.57%	27.00%	22.73%
3	ASA	Bangladesh	4	6,613,455	8.01%	4.31%	5.00%	20.39%
4	BCSC	Colombia	5	4,757,202	0.82%	12.11%	13.00%	55.11%
5	Equity Bank	Kenya	5	4,037,504	5.23%	18.19%	26.00%	135.71%
6	Caja Popular Mexicana	Mexico	4	3,514,028	-2.85%	12.47%	5.00%	21.48%
7	Khan Bank	Mongolia	5	2,194,252	1.03%	13.20%	18.00%	85.61%
8	ACSI	Ethiopia	5	1,432,623	6.70%	3.80%	13.00%	46.24%
9	Capitec Bank	South Africa	5	1,296,775	6.52%		6.00%	16.08%
10	Centenary Bank	Uganda	4	875,408	4.38%		57.00%	362.10%
11	KPOSB	Kenya	4	844,890	-4.21%		19.00%	
12	BURO Bangladesh	Bangladesh	4	746,938	0.79%	4.16%	5.00%	18.21%
13	FECECAM	Benin	4	707,744	-0.70%	2.44%	15.00%	134.85%
14	RCPB	Burkina Faso	5	673,099	2.69%	5.20%	43.00%	220.43%
15	ACLEDA	Cambodia	5	603,224	1.22%	0.87%	146.00%	277.58%
16	PRODEM FFP	Bolivia	5	569,829	1.55%	1.28%	35.00%	166.66%
17	WDB	Sri Lanka	4	555,095	1.18%	3.28%	6.00%	22.51%
18	CARD NGO	Philippines	4	497,431	6.40%	1.02%	2.00%	5.40%
19	OCSSCO	Ethiopia	4	458,762	4.43%		19.00%	39.86%
20	Faulu - KEN	Kenya	5	423,052	-1.76%	8.60%	7.00%	45.99%
21	CMS	Senegal	5	420,451	1.53%	6.50%	38.00%	188.99%
22	COAC Nacional	Ecuador	5	415,884	1.58%	0.26%	5.00%	20.65%
23	Crediscotia	Peru	5	397,274	-0.78%	9.58%	21.00%	20.90%
24	Shakti	Bangladesh	5	393,428	2.24%	0.99%	5.00%	18.28%
25	CARD Bank	Philippines	4	381,443	4.04%	1.50%	4.00%	7.88%
26	ProCredit - BOL	Bolivia	5	381,416	1.50%	2.18%	63.00%	213.17%
27	JCF	Bangladesh	4	360,923	4.70%	6.74%	5.00%	23.04%
28	Mahasemam	India	4	343,434	0.78%	0.12%	1.00%	10.32%
29	KWFT	Kenya	5	334,188	5.24%	1.31%	20.00%	47.71%
30	FUCEC Togo	Togo	4	329,649	1.95%	9.75%	71.00%	230.72%
31	SEWA Bank	India	4	328,363	0.52%	17.49%	7.00%	47.85%
32	Equity Uganda	Uganda	4	325,125			25.00%	170.13%
33	BancoSol	Bolivia	5	323,022	2.62%	1.14%	62.00%	158.08%
34	CMAC Arequipa	Peru	5	317,904	3.68%	3.96%	25.00%	56.45%
35	Banco FIE	Bolivia	5	314,989	1.92%	1.27%	45.00%	146.58%
36	BancoEstado	Chile	4	304,298	-0.05%	14.49%	16.00%	86.80%
37	K-Rep	Kenya	5	298,924	-2.72%	26.74%	23.00%	149.43%
38	SDBL	Sri Lanka	4	289,655	1.56%	27.71%	16.00%	23.98%
39	ProCredit - SLV	El Salvador	5	288,565	-0.44%	12.32%	18.00%	77.17%
40	TSPI	Philippines	4	264,089	0.73%	1.51%	3.00%	6.65%
41	Jamii Bora	Kenya	4	260,063			3.00%	14.35%
42	OIBM	Malawi	4	252,559	0.35%	7.25%	35.00%	190.66%
43	KBSLAB	India	4	248,539	1.12%	4.93%	6.00%	27.36%

44	CamCCUL	Cameroon	4	245,501	0.87%	36.64%	59.00%	172.80%
45	LAPO-NGR	Nigeria	4	243,055	8.84%	2.28%	9.00%	12.63%
46	PAMECAS	Senegal	5	239,683	-2.00%	8.78%	23.00%	86.03%
47	ProCredit - NIC	Nicaragua	5	222,371	-4.97%	12.99%	34.00%	241.07%
48	Comultrasan	Colombia	4	214,644	2.96%	3.02%	15.00%	64.29%
49	MiBanco	Peru	5	203,516	2.81%	4.90%	95.00%	68.08%
50	Green Bank	Philippines	4	202,836	-0.01%	9.39%	8.00%	32.44%
51	Kafo Jiginew	Mali	5	200,914	0.83%	8.35%	24.00%	99.04%
52	CMAC Piura	Peru	5	197,999	2.26%	9.41%	44.00%	65.87%
53	KMBI	Philippines	4	196,928	2.72%	5.86%	2.00%	3.52%
54	ProCredit - ECU	Ecuador	5	194,914	1.50%	2.34%	23.00%	108.70%
55	FMFB - Pakistan	Pakistan	4	189,878	0.46%	1.37%	32.00%	16.21%
56	RRF	Bangladesh	4	186,054	-2.17%	94.62%	4.00%	16.78%
57	FinComÃºn	Mexico	5	181,805	1.71%	15.18%	2.00%	9.17%
58	ASA Philippines	Philippines	4	179,837	6.83%	0.01%	2.00%	4.48%
59	Trident Microfinance	India	5	174,871	3.90%	0.18%	0.00%	15.94%
60	CRAC Nuestra Gente	Peru	5	166,075	1.67%	4.59%	20.00%	43.86%
61	ACBA	Armenia	4	163,897	2.83%	1.44%	22.00%	87.56%
62	ProCredit - GHA	Ghana	4	158,745	7.10%	5.43%	28.00%	175.69%
63	NovoBanco - MOZ	Mozambique	4	158,445			51.00%	192.91%
64	COAC Mushuc Runa	Ecuador	4	151,785	2.52%	5.22%	9.00%	43.96%
65	OISL	Ghana	4	145,057	0.04%	5.90%	13.00%	56.08%
66	MBK Ventura	Indonesia	5	143,183	9.82%	0.00%	1.00%	3.38%
67	Fonkoze Financial Services (SF	Haiti	4	143,121	-4.88%	11.27%	11.00%	29.97%
68	XacBank	Mongolia	5	142,487	0.91%	7.44%	40.00%	119.90%
69	CEP	Vietnam	4	140,886	9.75%	0.52%	6.00%	20.05%
70	Confiar	Colombia	5	136,144	1.37%	4.25%	17.00%	66.94%
71	Coop JesÃºs Nazareno	Bolivia	5	133,390	0.36%	3.25%	42.00%	238.12%
72	BANCO ADOPEM	DR	5	131,198	5.58%	3.30%	3.00%	8.84%
73	COAC JardÃ-n Azuayo	Ecuador	5	127,084	0.00%	4.41%	24.00%	81.54%
74	Akiba	Tanzania	4	124,414	2.03%	16.35%	66.00%	351.69%
75	TMFB	Pakistan	4	122,538	-7.13%	1.20%	12.00%	25.39%
76	Finance Trust	Uganda	5	122,225	2.78%	2.67%	13.00%	155.02%
77	Nyesigiso	Mali	4	118,828	1.87%	4.52%	24.00%	211.23%
78	Nirdhan	Nepal	4	115,174	1.01%	6.74%	8.00%	40.22%
79	CMAC Sullana	Peru	5	114,686	3.98%	8.06%	48.00%	69.96%
80	CSS	Bangladesh	4	110,565	7.13%	2.83%	7.00%	22.60%
81	Banco ADEMI	DR	4	109,364	2.45%	2.01%	18.00%	40.64%
82	ProCredit Bank- DRC	DRC	4	109,183	-1.82%		580.00%	1915.39%
83	BEES	Bangladesh	4	108,586	-6.54%	16.11%	5.00%	15.90%
84	Central Cresol Baser	Brazil	5	105,367	0.46%	4.79%	15.00%	81.22%
85	BRAC - UGA	Uganda	4	103,489	-8.65%	4.20%	6.00%	26.56%
86	CMAC Huancayo	Peru	4	96,672	3.92%	5.48%	33.00%	46.55%
87	1st Valley Bank	Philippines	4	96,514	2.66%	10.48%	26.00%	61.28%
88	WAGES	Togo	5	94,862	2.90%	4.01%	34.00%	343.09%
89	CBB	Nepal	4	93,047	2.27%	0.27%	12.00%	31.60%
90	GU	India	4	92,724	0.17%	1.92%	4.00%	13.01%
91	PRIDE - TZA	Tanzania	5	92,390	3.12%	6.14%	27.00%	67.47%
92	BRAC - TZA	Tanzania	4	89,818	-13.09%	7.28%	5.00%	20.51%
93	SAT	Ghana	5	88,668	3.18%	1.93%	6.00%	27.59%
94	SB Bank	Nepal	4	86,608	2.18%	2.51%	10.00%	29.22%

95	SMEP	Kenya	4	85,678	1.01%	21.30%	10.00%	17.17%
96	EcoFuturo FFP	Bolivia	5	84,476	0.99%	2.87%	55.00%	124.01%
97	NWTF	Philippines	4	83,466	2.08%	3.86%	2.00%	6.67%
98	FASL	Ghana	4	82,987	2.92%	4.59%	49.00%	160.77%
99	KADET	Kenya	5	82,251	-9.41%	9.49%	6.00%	43.03%
100	FinAmÃ©rica	Colombia	4	82,095	0.88%	8.75%	18.00%	40.46%
101	Sarala	India	5	81,121	8.42%	0.25%	2.00%	9.16%
102	IDF	Bangladesh	4	80,612	2.94%	2.52%	8.00%	17.76%
103	PBC	Philippines	4	79,958	1.80%	2.51%	5.00%	14.56%
104	FINCA - UGA	Uganda	5	78,249	2.69%	2.59%	15.00%	59.83%
105	DEC	Nigeria	5	76,792	9.05%	0.56%	4.00%	9.30%
106	Khushhali Bank	Pakistan	4	74,995	-0.07%	1.39%	3.00%	12.84%
107	Banco Solidario	Ecuador	5	72,626	-0.23%	2.64%	57.00%	43.52%
108	WDFH	Sri Lanka	4	72,172	4.13%	0.49%	2.00%	9.52%
109	TIAVO	Madagascar	4	71,399	-3.67%	5.42%	9.00%	89.83%
110	BanGente	Venezuela	4	70,632	1.83%	2.98%	4.00%	21.77%
111	UOB	Rwanda	4	69,178	-6.57%	1.98%	10.00%	37.00%
112	CODESARROLLO	Ecuador	5	67,229	1.28%	4.14%	10.00%	69.21%
113	UCEC/MK	Chad	4	65,773	5.24%	5.82%	14.00%	57.86%
114	AccessBank	Azerbaijan	5	64,974	8.12%	1.35%	27.00%	63.09%
115	Kondo Jigima	Mali	5	63,487	-5.24%	5.64%	35.00%	233.34%
116	SOCREMO	Mozambique	5	63,027		5.37%	72.00%	311.70%
117	Cresol Central	Brazil	4	61,998	0.98%	5.91%	22.00%	36.25%
118	Cantilan Bank	Philippines	4	57,903	2.90%	8.11%	11.00%	35.83%
119	COOPROGRESO	Ecuador	5	57,872	0.69%	3.59%	30.00%	85.10%
120	Mikrokredit Bank	Uzbekistan	5	56,540	1.05%	1.60%	138.00%	295.50%
121	GBNB	Nepal	4	52,585	1.76%	7.41%	10.00%	47.44%
122	ACEP Senegal	Senegal	5	52,076	5.12%	12.71%	24.00%	161.93%
123	CMAC Paita	Peru	4	51,386	1.85%	8.53%	28.00%	51.50%

Annex F1

Suggested Format for Business Plans Responding to Request for Applications
from the LDC Fund for Savings Lead Market Leaders

1. Executive Summary

2. Mission and Goals

- Parent organization and how this proposed expansion fits within the institution's mission and goals
- Proposed expansion's mission and goals

3. Country Context/Environmental Analysis

   A. Political and Socio-economic Background

   B. Financial/Microfinance Sector

   C. Regulatory Framework, including constraints to mobilizing savings

   D. Other External Elements

4. Market Analysis

   A. Financial Services Demand Assessment

   B. Competition

   C. Market Size and Segmentation

   E. Collaborators (Key partners critical to implementing your plan)

5. Operations

   A. Target Clientele and Market

   B. Methodology

   C. Products and Services

      - Savings
      - Loans
      - Other financial products
      - Nonfinancial products

   D. Service Delivery/Marketing channels

   E. Market Locations

   F. Branch Expansion Strategy

G. Organizational Structure/Leadership

- Ownership and governance
- Legal form/institutional type
- Board and management
- Management team

H. Policies and Procedures

- Human resource management
- Administration
- Internal control system and internal audit
- External audit

I. Technology/MIS

6. Financial Projections and Financing Plan

A. Savings and Loan Portfolio

B. Staffing

C. Fixed Assets

D. Other Expenses

E. Financial Projections

- Include annual headline indicators from income statements and balance sheets showing the trend to sustainability;

F. Financing Plan

Note: all grants are to be included in the financial projections. Grants can go in a subsidy area (below the line) but they should be included and not separated out from the financial projections. If microfin was used to prepare the plan please provide a copy of the projections with the submission.

7. SWOT

8. Technical Assistance Plan

Annex F2: LDC Fund Application Sheet

Name of Institution:							
Contact Person:							
Contact Information:							
Summary of Key Data		**Currency:**	**USD**				
		2010	**2011**	**2012**	**2013**	**2014**	
1	**Client Outreach**						
1.1	Number of Active Borrowers						
1.2	Active Women Borrowers (%)						
1.3	Average Loan Balance per Borrower per GNI per capita						
1.4	Average Initial Disbursed Loan Size (US$)						
1.5	Total Gross Loan Portfolio (US$)						
1.6	Number of Active Depositors (Voluntary)						
1.6	Active Women Depositors (%)						
1.7	Average Savings Balance per Saver/GNI per capita (%)						
	Total Voluntary Savings (US$)						
1.8	Urban clients (%)						
1.9	Rural clients (%)						
2	**Localization**						
2.1	Percent local staff/total staff						
2.2	Percent local staff in Senior Management (above branch manager)						
3	**Financial & Portfolio Performance**						
3.1	ARoA (%)						
3.2	PAR > 30 days (%)						
3.3	Operational Self-Sufficiency(%)						
3.4	Financial Self-Sufficiency(%)						
							Total
4	**Funding**						
4.1	Own Funds (US$)						0
4.2	Outside Funds Commitment Received(US$): GRANTS						0
	Outside Funds Commitment Received(US$): LOANS						0
	Outside Funds Commitment Received(US$): EQUITY						0
4.3	Outside Funds Commitment Pending (US$): GRANTS						0
	Outside Funds Commitment Pending (US$): LOANS						0
	Outside Funds Commitment Pending (US$): EQUITY						0
4.4	Grant Funds Requested UNCDF (US$)						0
4.5	Loan Funds Requested UNCDF (US$)						0
4.6	Total Project Funds						0
5	**Proposed Management**						
5.1	Submit CVs of All Staff who will provide in-country support						
5.2	Total YearsMFI Experience of Top 3 Managers						
5.3	Total Years Other Country Experience of Top 3 Managers						
6	**Institutional Set-up**						
		Owner 1	**Owner 2**	**Owner 3**	**Owner 4**	**Owner 5**	**Owner 6**
6.1	Names of MFI Ownership or Co-Owners						
6.2	Ownership rate of each (%)						
7	**Cost Efficiency**	**2009**	**2010**	**2011**	**2012**	**2013**	**Total**
7.1	Operating Expense/Loan Portfolio (%)						

ANNEX G: Organizational Chart

2011 FIPA Staff

FIPA Management Team	FIPA Regional Technical Managers	Programme	Country Technical Advisor/Programme Manager/Technical Service Provider/National Expert
Henri Dommel, Director **John Tucker, Deputy Director**		KM	Hanadi Tutunji
		MicroLead	Pamela Eser
		Policy Advisor	Beth Porter
		Programme Officer	Eric Dietz
		Remittances Pilot	N/A
		Microinsurance Pilot	N/A
Feisal Hussein, Asia Senior Regional Technical Advisor	Ongoing recruitment	Pacific	Tillman Bruett Jeff Liew Joep Roest
		Timor Leste	Marcella Willis
		Nepal	Ana Klincic Andrews
		Laos	Ongoing recruitment
Fodé Ndiaye, WCA Senior Regional Technical Advisor	Alimata Sanogo- Touré Regional Technical Advisor Madina Diop-Assouman, Regional Technical Advisor Mathieu Soglonou, Regional Technical Advisor Clément Wounou Regional Technical Advisor	YouthStart	Maria Elvera Perdomo
		Togo	Koffi Mally
		Sierra Leone	TSP AYANI
		Burkina Faso	Ongoing recruitment
		Liberia	Said Attoumane Abdoul Anziz
		Senegal	Cheick Sadibou Ly
		Niger	Mbaye Diouf Issaka Hachimou
		CAR	Dominique Malo
		Chad	To Be Recruited
Makarimi Adéchoubou, SEA Senior Regional Technical Advisor	Issa Barro, Regional Regional Technical Advisor Erick Tengna Sile, Regional Technical Advisor	Mozambique	Oumou Vanhoorebeke
		DRC	Ongoing recruitment Stephane Amani TSP Frankfurt School of Management
		Madagascar	Ongoing recruitment Rafanoharana Bakoly Tiana
		Malawi	Ongoing recruitment
		Lesotho	Ongoing recruitment
		Rwanda	Amani Mbale
		Comoros	Prosper Houenou Comlani Fofo
		Southern Sudan	TSP SSMDF

GRANT AGREEMENT

Between

**THE UNITED NATIONS CAPITAL DEVELOPMENT FUND
(UNCDF)**

**And
<Name>
Recipient Institution**

A. GRANT AGREEMENT

GRANT AGREEMENT BETWEEN UNCDF and Recipient Institution FOR THE PROVISION OF GRANT FUNDS

Grant Agreement (hereinafter referred to as the "Agreement') made between **the United Nations Capital Development Fund ("UNCDF" or "Grantor"), YYY and Recipient Institution** (the Recipient Institution, hereinafter referred to as the financial service provider or **"Recipient Institution"**). **YYY** will sign its own agreement directly with the **Recipient Institution.**

WHEREAS the **Grantor** desires to provide funding to the **Recipient Institution** in the context of a Programme and on the terms and conditions hereinafter set forth,

WHEREAS the **Recipient Institution** is ready and willing to accept such funds from the **Grantor** for the above mentioned activities on the said terms and conditions.

NOW, therefore, the parties hereto agree as follows:

I. Responsibilities of the Recipient Institution

1.1 The **Recipient Institution** agrees to: complete the key results/milestones specified in the Section III below, including providing reports and statements to the grantor in accordance with the Monitoring Schedule. The **Recipient Institution** shall be responsible for verifying the accuracy of all reports. Funds provided pursuant to this Agreement shall be used to achieve these results/milestones. The **Recipient Institution** shall be free to reallocate resources as needed in order to produce the expected results.

1.2 If the **Recipient Institution** fails to meet the minimum performance indicators in Section III within ninety (90) days of the timeframe specified, the **Grantor** may suspend or terminate this agreement at its discretion. The suspension will remain in effect until the **Recipient Institution** has met the targets or until the **Grantor** has agreed in writing to modify the performance targets.

1.3 The **Recipient Institution** agrees to inform the **Grantor** about any problems it may face in a timely fashion or any anticipated failure to complete the activities or achieve the expected results. The **Recipient Institution** also agrees to immediately report any incidence of fraud, theft, or significant operational loss that negatively impact its ability to fulfill the terms of this Agreement or threaten or have a relevant impact on its ability to continue as a going concern.

1.4 The **Recipient Institution** agrees to notify the Grantor of any <grant funds/loan funds> for the purpose of completing the <Project Description/Business Plan> it may receive prior to signature of those funding agreements. The Grantor reserves the right to adjust the amount of funding in this Agreement if it determines that its funds are no longer necessary as the result of other funding agreements.

UNCDF strongly encourages all partners to endorse the Client Protection Principles of the Smart Campaign which are listed below. A full description of the six principles can be found at: http://smartcampaign.org/

1. Avoidance of Over-Indebtedness
2. Transparent and Responsible Pricing
3. Appropriate Collections Practices
4. Ethical Staff Behavior
5. Mechanisms for Redress of Grievances
6. Privacy of Client Data

The FSP will inform UNCDF when it has endorsed the campaign principles. By endorsing the principles, the FSP commits to incorporate the principles in the FSP policies and practices, and to monitor their implementation. The FSP will annually report to UNCDF:
1] what other policies it has adopted to protect clients;
2] what systems or practices it has implemented during the reporting period to promote client protection.
3] how it monitors its performance in the area of client protection.

II. Duration

2.1 This Agreement will come into effect on **(Date and Year)** and shall expire on **(Date and Year)** covering the anticipated term of the project. It can be extended, if necessary by exchange of letters, noting the new expiration date.

III. Key Results/Milestone and Payments

3.1 The **Grantor** shall provide funds to the **Recipient Institution** of an amount of <US$XX> according the schedule set out below. Payments are subject to the **Recipient Institution** achieving the Expected Results as well as the disbursement conditions set forth in this article, if any.

Upon signature of this Agreement:

Payment/Date	Amount	Results/Milestone to Be Achieved	Disbursement Conditions
Total			

3.2 Detailed Results (outreach and performance) targets are as follows:

Recipient Institution	BASELINE	End of Year		End of Year		End of Year	
		Proposed	Minimum Target	Proposed	Minimum Target	Proposed	Minimum Target
Number of Active Clients							
% of Female Clients							
Financial Self-Sufficiency)							
Operational Self-Sufficiency							
Portfolio at Risk at 30 days							

3.3 Disbursement conditions shall include meeting reporting requirements:

Mechanism	Timing/Due Date	Scope	Responsibility
Quarterly Reports	45 days after end of fiscal quarter	Annex 1 Report Format (for FSPs only)	Recipient Institution
Mid-term and Final evaluation			UNCDF (primary), Recipient Institution to be available to evaluators
Audited Financial Statements	120 days after the end of the fiscal year		Recipient Institution
Client Protection Principles Actions	28 February	policies adopted to protect clients; systems or practices implemented; and how it monitors its performance	Recipient Institution
Mix Market	15 March		Recipient Institution
Final Report	45 days after end date		Recipient Institution

3.4 The **Recipient Institution** shall request disbursements with the supporting information to show that disbursement conditions have been met. All payments shall be deposited into the **Recipient Institution's** bank account of which the details are as follows:

Name of the Bank:
Bank Routing Number:
SWIFT Code:
Beneficiary Account Name:
Beneficiary Account Number:
Address of Bank:

3.5 The amount of payment of such funds is not subject to any adjustment or revision because of price or currency fluctuations or the actual costs incurred by the **Recipient Institution** in the performance of the activities under this Agreement.

IV. Records, Information and Reports

4.1 The **Recipient Institution** shall maintain clear, accurate and complete records in respect of the funds received under this Agreement.

4.2 The **Recipient Institution** agrees to provide reports and fulfill its obligations accordance with the Monitoring and Evaluation schedule (section III). It agrees to reasonable requests to make its personnel available to participate in on-site monitoring visits.

4.3 Within sixty (60) days after completion of project activities, the **Recipient Institution** shall provide the **Grantor** with a final financial report describing how the expenditures were utilized.

All further correspondence regarding the implementation of this Agreement should be addressed to:

For **UNCDF**:

(Please provide contact information)

For the **Recipient Institution**:

(Please provide contact information of 2 main leaders)

For the **Grantor**s:
(Please provide contact information)

V. General Provisions

5.1 This Agreement and the Annexes attached hereto shall form the entire Agreement between the **Recipient Institution,** and the **Grantor**, superseding the contents of any other negotiations and/or agreements, whether oral or in writing, pertaining to the subject of this Agreement.

5.2 The **Recipient Institution** shall carry out all activities described in paragraph 1.1 with due diligence and efficiency and shall have exclusive control over the administration and implementation of those activities. The **Grantor** shall not interfere in the exercise of such control. If in the **Grantor's** determination the **Recipient Institution** is not carrying out the activities described in paragraph 1.1, the **Grantor** may: (i) withhold payment of funds until in its opinion the situation has been corrected; or (ii) declare this Agreement terminated by written notice to the **Recipient Institution** as described in paragraph 5.7 below; and /or seek any other remedy as may be necessary. The **Grantor's** determination shall be binding and conclusive upon the **Recipient Institution** insofar as payments are concerned.

5.3 The **Grantor** undertake no responsibilities in respect of life, health, accident, travel or any other insurance coverage for any person which may be necessary or desirable for the purpose of this Agreement or for any personnel undertaking activities under this Agreement. Such responsibilities shall be borne by the **Recipient Institution**.

5.4 The rights and obligations of the **Recipient Institution** are limited to the terms and conditions of this Agreement. Accordingly, the **Recipient Institution** and personnel performing services on its behalf shall not be entitled to any benefit, payment, compensation or entitlement except as expressly provided in this Agreement.

5.5 The **Recipient Institution** shall be solely liable for claims by third parties arising from the **Recipient Institution**'s acts or omissions in the course of performing this Agreement and under no circumstances shall the **Grantor** be held liable for such claims by third parties.

5.6 Grant funds disbursed to the **Recipient Institution** shall be considered to be the property of the **Grantor** and shall not become the property of the **Recipient Institution** until one or more of the following conditions have been met: (i) the **Recipient Institution** has verifiably complied with all conditions in this grant agreement; (ii) the **Grantor** advises the **Recipient Institution** in writing that it has fulfilled the conditions to the **Grantors'** satisfaction; (iii) the **Grantor** otherwise notifies the **Recipient Institution** in writing that it releases the **Recipient Institution** from any obligation to repay funds. In the case of multiple payments in paragraph 3.1, the Grantor's approval of a payment shall be considered a notification of fulfillment of conditions for all previous payments. If within ninety (90) days after the end date of the Agreement there has been no written communication from the **Grantor** in regard to the disposition of the funds, the funds shall be considered the property of the **Recipient Institution**. In cases where the above conditions have not been met, the **Grantor** may at its discretion require the **Recipient Institution** to return of some or all of the funds and the **Recipient Institution** has thirty (30) days to comply with this request.

5.7 This Agreement may be terminated by either party before completion of the Agreement by giving thirty-day (30) written notice to the other party. In the case of termination by the **Grantor**, the disposition of funds shall be governed by paragraph 5.6. In case of termination by the **Recipient Institution**, the **Grantor** may at its discretion require the **Recipient Institution** to return all or part of the funds. The **Recipient Institution** has thirty (30) days to comply with this request. If the **Grantor** fails to request the return of funds within ninety (90) days of the termination notice, the funds shall be considered the property of the **Recipient Institution.**

5.8 The **Recipient Institution** acknowledges that the **Grantor** has made no actual or implied promise of funding except for the amounts specified by this Agreement.

5.9 No modification of or change to this Agreement, waiver of any of its provisions or additional contractual provisions shall be valid or enforceable unless previously approved in writing by the parties to this Agreement or their duly authorized representatives in the form of an amendment to this Agreement duly signed by the parties hereto.

5.10 Any controversy or claim arising out of, or in accordance with this Agreement or any breach thereof, shall unless it is settled by direct negotiation, be settled in accordance with the UNCITRAL Arbitration Rules as at present in force. Where, in the course of such direct negotiation referred to above, the parties wish to seek an amicable settlement of such dispute, controversy or claim by conciliation, the conciliation shall take place in accordance with the UNCITRAL Conciliation Rules as at present in force.

The parties shall be bound by any arbitration award rendered as a result of such arbitration as the final adjudication of any such controversy or claim.

5.11 Nothing in or relating to this Agreement shall be deemed a waiver of any privileges and immunities of the United Nations.

IN WITNESS WHEREOF, the undersigned, duly appointed representatives of the **Grantor**, and the **Recipient Institution**, respectively, have on behalf of the **Grantor** and the **Recipient Institution** signed the present Memorandum of Agreement on the dates indicated below their respective signatures.

On behalf of UNCDF:

Name: David Morrison

Title: Executive Secretary

Date: ____________________

On behalf of the Recipient Institution:

Name: ____________________

Title: ____________________

Date: ____________________

Annex I Reporting: Required Formats (Financial Service Providers only)

Quarterly Reporting:

Output Information		2010				2009
From:		**Quarterly Indicators**				**Annual**
Standard code	**Name of Indicator**	**Q4**	**Q3**	**Q2**	**Q1**	**Year Ended**
		31-Dec	30-Sep	30-Jun	31-Mar	31-Dec
Outreach						
O1	Number of Active Borrowers					
O2	Number of Voluntary Depositors					
O3	Value of Loans Outstanding					
O4	Voluntary Savings					
O5	Total Savings					
O6	Percent Women Active Borrowers					
O7	Percent of Women Voluntary Depositors					
Client Poverty Level						
CPL1	Average Outstanding Loan Balance per Borrower					
CPL2	Average Outstanding Savings Balance per Saver					
CPL3	Average Loan Balance per Borrower/ GNI per Capita					
CPL4	Average Savings Balance per Saver/ GNI per capita					
Collection Performance						
CP1	Portfolio at Risk (PAR) Ratio > 30 days					
CP2	Write Off Ratio					
Sustainability						
S1	Operational Self-Sufficiency (OSS) (annualized)					
Efficiency						
E1	Operating Expense Ratio (annualized)					
E2	Cost per Active Client (annualized)					
Overall Financial Performance						
OFP1	Adjusted Return on Assets (AROA)	Only Need Last Fiscal Annual Indicator				
OFP2	Financial Self Sufficiency (FSS)	Only Need Last Fiscal Annual Indicator				
Targets						
	Target Indicators	**2009**	**2010**	**2011**	**2012**	**2011**
T1	Number of Active Borrowers					
T2	Number of Voluntary Depositors					
T3	Portfolio At Risk					
T4	Financial Self-Sufficiency					
T5	Cost Per Active Client					

Excel sheet in possession of both parties but not attached.

ANNEX I

The 5 Pillars of FIPA KM Strategy

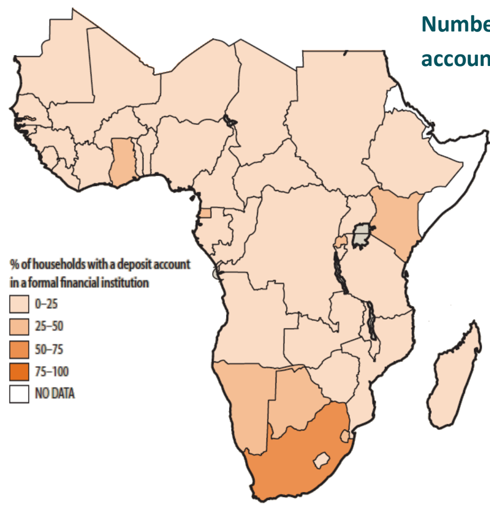
1. **People: KM is incorporated in FIPA's staffing structure**: Staff (People) development, and Human Resources allocation is core in order to build an infrastructure that proves conducive to effective knowledge management. The output related to "people" will focus on building an expert based architecture within FIPA, build staff capacity and coordinate financial resources dedicated to KM.
2. **Processes: KM is mainstreamed in FIPA's Business Processes**: The output related to "processes" will be achieved through the on-going involvement and contribution of FIPA Knowledge Management Specialist into UNCDF corporate KM activities, and participation into FIPA's business processes. Furthermore, FIPA staff will contribute to KM mainstreaming in their substantive work. FIPA will work on mainstreaming KM activities in the Program documents (prodocs) and implementing the KM activities as they will be developed in the operations manual[1]. FIPA will also work on mainstreaming KM in the work planning and delivery processes
3. **Products: Harness FIPA knowledge for improved efficiency and effectiveness:** The output related to "products" will be achieved through the assessment of FIPA's knowledge development needs, the development of standards and templates, and the development and roll-out of new knowledge products. The main focus will be on standardization and creations of tools to harness and disseminate internal knowledge, such as templates, knowledge maps, guidelines, etc. In addition, and more importantly, FIPA will work on standardizing and strengthening its country diagnostic mechanism.
4. **Platforms provide easier and faster access to global knowledge and foster collaborations**: The output related to "platforms" will be achieved through updating existing Financial Inclusion on Line (FIOL) to improve its performance and to better reflect the performance data and indicators reported by the FSPs funded by UNCDF/FIPA. This output also includes systematizing the use of UNCDF Intranet by posting all finalized documents, templates, making sure the available knowledge is efficiently stored, updated, easily accessible and used. In addition, FIPA will work on leveraging web 2.0 technologies through piloting of UNDP's Teamworks as an extranet for FIPA staff, UNDP staff working with FIPA, and external guests and invitees. Teamworks represents an "extranet", and by piloting teamworks, FIPA will have three levels of platforms to leverage: The intranet, Teamworks and the Internet.
5. **Partnerships: Internal collaborations and knowledge-based external partnerships enable FIPA to strengthen expertise and broaden outreach:** The output related to "partnerships" will be achieved through increased internal communications and collaborations, and expanded external coordination and collaborations. This will be achieved through i)engaging staff in regular communications and collaborative activities (define and roll out a communication matrix and define a schedule for teleconferences), ii)Enhancing coordination with current partners namely ILO, IFAD, UNDP, and SmartAid participation, and iii) maximizing knowledge-based partnerships with a focus on CGAP, ADA, bringing external experts for face to face or online knowledge sharing events and mapping external complementarities of partners versus FIPA internal competencies. All this is expected to enrich internal knowledge sharing and to build up and maximize synergies with external partners.

[1] The UNCDF corporate KM strategy recommends that a KM section is added to the operations manual

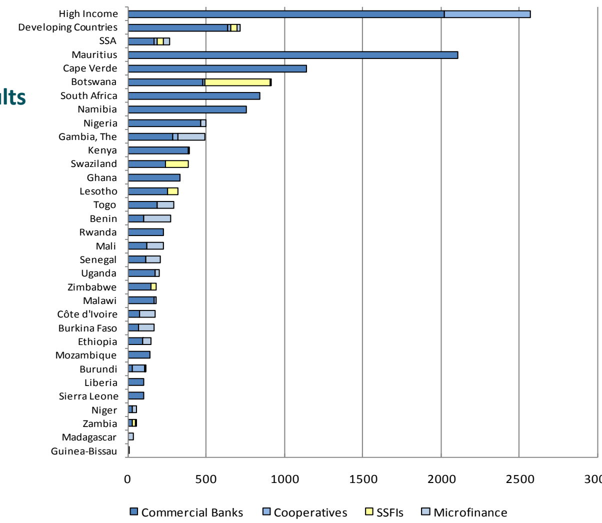
DEPOSIT SERVICES & FINANCIAL INCLUSION

Deposit Account Penetration. In Sub-Saharan Africa (SSA) there are 163 bank accounts per 1,000 adults, compared with 635 bank accounts per 1,000 adults in developing countries. There is a wide variation among countries in the region in terms of deposit account penetration, from six bank accounts per 1,000 adults in Guinea-Bissau, to 2,109 bank accounts per 1,000 adults in Mauritius. Average deposit size per capita is much higher in SSA (at 193 percent) than in developing and high-income countries.

SSA had a higher median growth rate in the number of accounts per 1,000 adults at 10 percent, compared with both high-income and developing countries. However, SSA countries start from a relatively low base—Malawi and Kenya had the largest growth, at 32 and 29 percent, respectively. Most deposits are held in commercial banks in all reporting SSA countries, although Niger, Burkina Faso, Côte d'Ivoire, and Benin report more deposits in microfinance institutions (MFIs). And Burundi reports a higher number of deposit accounts in cooperatives and credit unions.



Number of deposit accounts per 1,000 adults



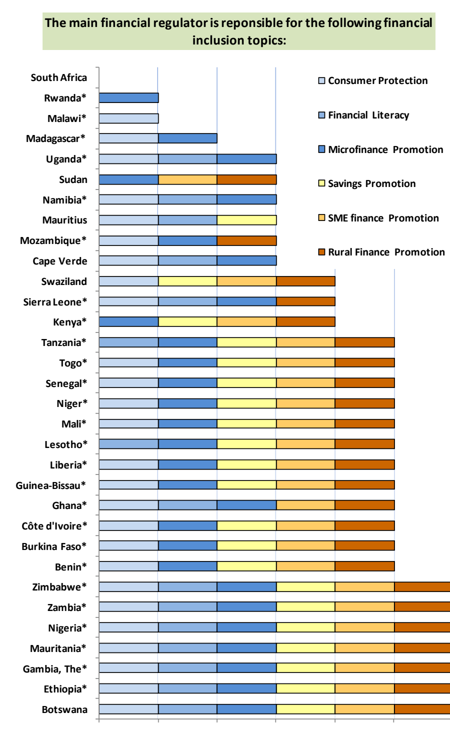
Financial Inclusion Mandates—Role of the Main Financial Regulator. Consumer protection and microfinance promotion are the two areas of the financial inclusion agenda that most frequently fall under the responsibility of the financial regulator in SSA.

Regulators in 81 percent of the SSA countries reporting to *Financial Access 2010* are responsible for consumer protection—a higher percentage than any other region except for South Asia. And regulators in 88 percent of the SSA countries reporting to *Financial Access 2010* are responsible for microfinance promotion.

Only 15 out of the 32 SSA regulators report being responsible for financial literacy; 21 for savings promotion; and 22 for small and medium enterprise (SME) finance promotion. Seven countries report being responsible for all six financial inclusion topics, and 12 countries report being responsible for five topics.

Almost all SSA financial regulators (except for South Africa, Mauritius, Cape Verde, Swaziland, and Botswana) have a strategy document for financial inclusion, indicating that financial inclusion is a high priority for many of these countries' development agendas.

The average number of reforms in SSA in 2008-09 was 4.8 out of a maximum of 10, which is higher than every region except for East Asia and the Pacific and South Asia.



* main financial regulator has a financial inclusion strategy document

Financial Access 2010
Sub-Saharan Africa Factsheet

www.cgap.org/financialindicators

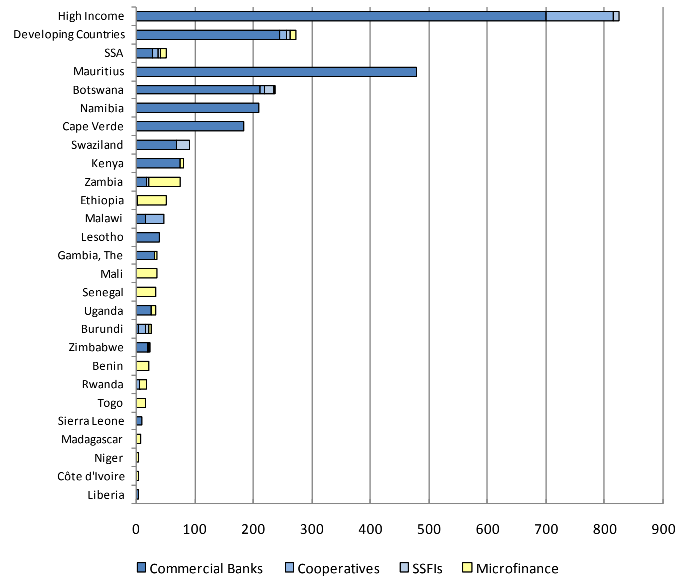
THE WORLD BANK GROUP

CREDIT SERVICES & CONSUMER PROTECTION

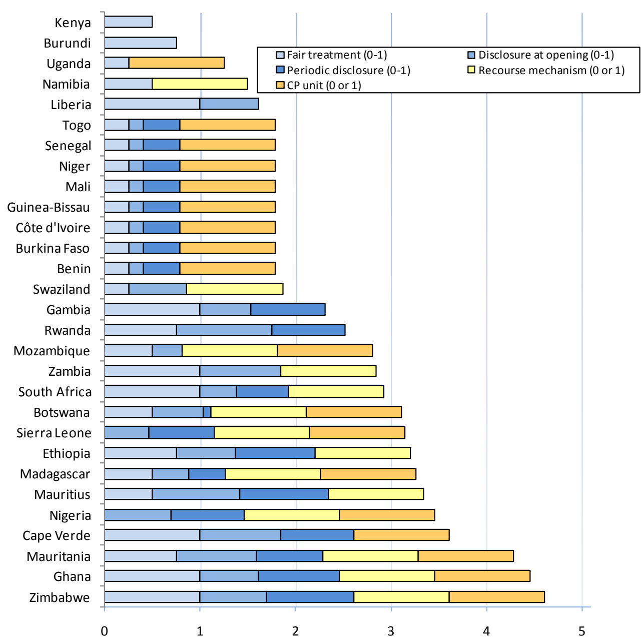
Access to Credit. In SSA there are only 28 bank loans per 1,000 adults compared with 245 bank loans per 1,000 adults in developing countries. There is a wide variation among countries in the region in terms of loan account penetration, from 479 bank loans per 1,000 adults in Israel to only four bank loans per 1,000 adults in Liberia. Nonbank financial institutions (NBFIs) target lower income segments, but limited data do not allow for a comprehensive assessment of the role of NBFIs. The change in the number of accounts on average in SSA decreased by only 2 percent, a little higher than the average decrease in developing countries. The number of loans per 1,000 adults increased the most in Botswana and Ethiopia, at 41 and 32 percent, respectively, but decreased the most in Namibia by 46 percent.

The volume of loans as a percentage of GDP decreased by 13 percent on average in the SSA region, a lower average than the percent decrease in developing countries. Volume of loans decreased in all SSA countries, except for Burundi, Madagascar, Malawi, and Swaziland. Most reported loan accounts are held in commercial banks and MFIs in SSA countries. Côte d'Ivoire, Niger, Madagascar, Benin, Senegal, and Mali all reported only their MFI loan accounts. Zambia has the largest microfinance sector by loan volume in SSA. The ratio of the volume of loans to individuals to total volume of loans in commercial banks (at 37 percent) is the same average for developing countries.

Number of loan accounts per 1,000 adults



Consumer Protection: From Legislation to Enforcement



Consumer Protection Regulations in Sub-Saharan Africa. The recent financial crisis highlighted the importance of effective consumer protection and adequate levels of financial literacy for the sustainability of the entire financial system.

Basic consumer protection requirements are on the books in most SSA countries. Eighty-four percent of SSA countries (27/32) have laws and regulations addressing at least some aspects of financial consumer protection. Twenty-seven countries also have some sort of fair treatment legislation restricting unfair selling practices. On average, SSA countries require the least disclosure requirements upon account opening surveyed by *Financial Access 2010* out of every region.

Institutional structures are weaker than legislative requirements. A little more than two-thirds of SSA financial regulators who said they were responsible for some aspect of financial consumer protection have a dedicated unit to work on these issues.

Enforcement mechanisms are the weakest. Sixteen SSA countries require financial institutions to implement procedures for resolving customer complaints, and only 14 SSA countries have at least one dispute resolution mechanism. Onsite inspection is the only compliance monitoring mechanism that exists in more than half of SSA countries, and issuing warnings to financial institutions is the only enforcement action that is taken by regulators in more than half of SSA countries.

Annex K Sub-Saharan Africa: Key Financial Institution Indicators

COUNTRY	Size (in Sq.Km)	Population	# Banks	# MFIs	Real GDP average 2000-09	Capital assets ratio*	NPLs/gross loans 2007	Commercial bank's assets/GDP	Liquid assets/total assets 2007
Angola	1,246,700	17.3	12	9	10.6	21.9 (2007)	3.0	14.8 (2007)	46.0
Benin	112,620	9	12	762	4.2	...	...	...	...
Botswana	30,350	1.9	7	47	3.5	18.5 (2007)	1.0	43.7 (2006)	50.0
Burkina Faso	274,200	14.8	11	424	5.3	13.0 (2008)	19.0	18.5 (2007)	...
Burundi	27,780	9.5	10	29	2.5	14.1 (2008)	18.0	44.3 (2007)	38.0
Cameroon	475,440	18.5	10	512	3.1	12.0 (2006)	...	22.6 (2007)	...
Cape verde	4,030	0.5	5	6	6.2	11.4 (2007)	...	100.7 (2007)	...
CAR	622,980	4.3	4	36	0.9	15.4 (2007)	...	12.0 (2007)	...
Chad	1,284,000	10.8	7	214	8.1	...	12.0	9.0 (2007)	49.0
Comoros	1,862	0.6	3	2	1.9	...	...	14.2 (2007)	...
DRC	2,344,860	62.4	18	70	3.7	11.7 (2008)	4.0	11.9 (2007)	80.0
Congo, Republic of	342,000	3.8	4	86	3.9	16.0 (2007)	2.5	...	72.0
Cote d'Ivoire	322,460	19.3	20	104	1.1	10.0 (2008)	21.0	25.3 (2008)	40.0
Equatorial Guinea	28,050	0.5	3	2	20.5	...	...	...	...
Eritrea	117,600	4.8	4	9	1.5	14.4 (2006)	...	...	...
Ethiopia	1,104,300	85.1	11	29	7.3	17.8 (2009)	10.0	42.3 (2007)	38.0
Gabon	267,670	1.3	6	13	1.8	25.0 (2008)	6.5	22.0 (2006)	51.0
Gambia	11,300	1.7	6	120	4.8	...	...	...	...
Ghana	238,540	23.4	26	601	5.4	13.9 (2008)	8.0	55.0 (2007)	40.0
Guinea	245,860	9.4	7	8	2.8	26.2 (2008)	12.0	18.9 (2007)	...
Guinea Bissau	36,125	1.5	4	132	0.825	...	...	11.5 (2007)	...
Kenya	580,370	37.5	45	365	3.8	18.1 (2008)	11.0	...	35.0
Lesotho	30,350	2.4	5	43	3.4	15.0 (2008)	...	35.8 (2007)	...
Liberia	111,370	3.8	4	81	1.2	23.3 (2008)	17.0	29.6 (2007)	62.0
Madagascar	587,040	19.7	10	411	3.3	14.1 (2007)	8.0	15.6 (2007)	...
Malawi	118,480	13.9	12	29	4.6	17.0 (2006)	...	...	...
Mali	1,240,190	12.3	12	475	5.3	7.4 (2008)	25.0	...	...
Mauritius	2,040	1.3	12		4	14.6 (2008)	2.5	295.0 (2007)	49.0
Mozambique	801,590	21.4	7	50	7.7	17.8 (2008)	...	39.8 (2007)	55.0
Namibia	824,290	2.1	8	223	4.4	15.8 (2008)	3.0	59.4 (2007)	2.0
Niger	1,267,000	14.2	12	170	4.8	12.8 (2007)	21.0	17.0 (2007)	41.0
Nigeria	923,770	147.9	23	850	7.9	22.0 (2008)	7.0	...	32.0
Rwanda	26,340	9.7	11	230	6.5	12.3 (2008)	19.0	20.6 (2007)	55.0
Sao Tome & Principe	960	0.2	2		5.6	40.5 (2008)	...	74.0 (2007)	...
Senegal	196,720	12.4	17	833	3.8	13.9 (2008)	19.0	46.6 (2007)	...
Seychelles	450	0.1	6	3	0.8	15.4 (2007)	3.0	24.2 (2007)	...
Sierra Leone	71,740	5.8	7	8	7.7	46.0 (2008)	32.0	21.3 (2007)	...
South Africa	1,221,041	47.6	35	2,346	3.2	12.5 (2008)	2.0	124.5 (2007)	3.0
Swaziland	17,360	1.1	8	150	2.3	18.0 (2008)	6.0	33.5 (2007)	14.0
Tanzania	945,090	40.4	29	43	6.4	15.7 (2008)	...	32.3 (2007)	48.0
Togo	56,790	6.6	10	145	1.6	...	...	33.5 (2007)	...
Uganda	241,040	30.9	15	756	7.5	...	...	...	...
Zambia	752,610	11.9	17	95	4.6	17.0 (2008)	...	...	39.0
Zimbabwe	390,760	13.4	11	257	-4.8	25.4 (2007)	...	26.7 (2006)	...

*Regulatory Tier 1 capital to risk-weighted assets. NPLs= Non-performing loans

Sources: International Monetary Fund (IMF), African Department; World Economic Outlook; and The World Bank

Annex L

The UN CAPITAL DEVELOPMENT FUND

Creating New Opportunities for the World's Poorest Countries

How UNCDF is working in Financial Inclusion

Financial inclusion is universal access, at a reasonable cost, to a wide range of financial services, provided by a variety of sound and sustainable institutions. The range of financial services includes savings, short and long-term credit, leasing and factoring, mortgages, insurance, pensions, payments, local money transfers and international remittances. Sound institutions are guided by internal management systems, industry performance standards, and prudential regulation as appropriate, and may be private or public, and of institutional types ranging from commercial banks to microfinance institutions, from cooperatives to non-bank financial institutions, and more. Sustainable institutions refer to their ability to provide ongoing access to financial services and to invest in new products and new markets over time.

90% of people lack access to formal financial services in the Least Developed Countries. UNCDF works to ensure that more households and small businesses gain access to credit, savings, insurance and other financial services that expand opportunities. UNCDF's ability to provide risk capital directly to the private sector (unique in the UN system) helps bring microfinance to underserved markets and spur new innovations (e.g. mobile phone banking). UNCDF ranked second in the 2009 "SmartAid Index" of overall effectiveness in microfinance.

UNCDF operates inclusive finance programmes in 25 LDCs in sub-Saharan Africa and Asia/Pacific through a financial inclusion sector-development approach and thematic initiatives.

Financial Inclusion sector-development approach

The G20 Seoul Summit Leaders' Declaration of November 2010 reiterated the G20 commitment to financial inclusion and officially launched the Global Partnership for Financial Inclusion. This platform which includes G20 and non-G20 countries as well as relevant stakeholders, will promote knowledge sharing, policy advocacy and coordination. It will moreover carry out the G20 agenda on financial inclusion through the implementation of its Financial Inclusion Action Plan. This Action Plan emphasizes, among others, the need to develop diagnostic tools at the country level that will help identify constraints and opportunities to promote financial inclusion.

Against this background, UNCDF started to develop in partnership with the South Africa-based institution FinMark Trust / CENFRI[1] a *diagnostic and programmatic tool to promote financial inclusion*. This tool will build on UNCDF's extensive experience in promoting inclusive financial sectors (including through the development of national microfinance strategies)[2], as well as FinMark Trust's highly regarded financial inclusion assessment methodology FINSCOPE. It will also incorporate lessons from the new developments that have revolutionized access over the past few years, such as agent and branchless banking, and will reflect promising developments such as linking conditional cash transfers to savings accounts. That programmatic framework will moreover integrate the knowledge gained through the CLEAR[3] exercises developed by the Consultative Group to Assist the Poor (CGAP) on ways to promote donor effectiveness and cooperation at the country level. The objective of this tool is, in short, to help governments and national stakeholders develop National Compacts on Financial Inclusion that will fulfill the vision set up by the G20. UNCDF and Finmark Trust / CENFRI will develop this approach in close cooperation with the leaders of the G20 Global Partnership for Financial Inclusion: the Consultative Group to Assist the Poor (CGAP) and the Alliance for Financial Inclusion (AFI), as well as the Bretton Woods institutions, World Bank and IFC.

UNCDF plans to use this programmatic tool in LDCs and carry out joint diagnostics with other donors in those countries. It will use it not only for future programming but also to update its existing sector development programs. In doing so, *UNCDF's vision is to help develop National Compacts on Financial Inclusion in at least 20 LDCs within the next five years, which will reflect in a concrete and tangible manner the G20's commitment to promote financial inclusion globally*. While UNCDF will focus its own efforts in LDCs, this tool will also be relevant to and available for non-LDCs.

Thematic Initiatives

UNCDF also works on the thematic front of inclusive finance, to support the development of innovative products and client-oriented initiatives.

[1] Center for Financial Regulation and Inclusion

[2] UNCDF has on-going financial inclusion sector development programs in 20 LDCs, 12 of which are in Africa, 7 in the Asia/Pacific and 1 in the Arab States.

[3] Country Level Effectiveness and Accountability Review

MicroLead: Recognizing the importance of 'market leaders' to drive sector development, UNCDF launched MicroLead – a $26 million programme supported by the Bill and Melinda Gates Foundation – for developing savings-led market leaders in LDCs. Based on proven business models, market leaders can rapidly scale-up their own operations offering a variety of products and services while accelerating the pace of sector development. MicroLead provides loans and grants to leading financial service providers (FSPs) on a competitive basis to facilitate their entry into LDCs, including in post-conflict contexts, where access to finance is most limited. The MicroLead program has provided support to some of the leading FSPs from the South to expand their operations through green-fielding or technical assistance provision to existing FSPs, with a focus on saving-based models. Outreach is projected to be over one million new depositors and 600,000 new borrowers by 2013, and UNCDF is seeking to scale up the programme globally.

YouthStart: UNCDF's YouthStart programme – supported by the MasterCard Foundation – will increase the access of youth (defined as 12-24 years old) to appropriate, demand-driven financial products and services, particularly savings, in Sub-Saharan LDCs. The programme will also support linkages to build the skills of youth through mentoring, financial literacy and entrepreneurial training. After market research and product design, the initiative will build the capacity of up to twelve FSPs to develop products and partner with youth-serving organizations (YSOs) to holistically develop youth's financial and productive capacities. Through its knowledge management activities, YouthStart will share lessons learned with governments, donors, technical assistance providers and other stakeholders to advance and maximize the learning related to youth financial services.

Mobile Money: UNCDF – with the support of EU/ACP, AusAID, and UNDP – has successfully led a programme that has brought banks and mobile network operators (MNOs) together to provide financial services to underserved markets in the Pacific Islands. The initiative includes intensive client-focused market research; policy and advocacy work to build understanding and support appropriate policies, regulation and supervision; and performance-based based grants and technical assistance for FSPs to share the risk of introducing new products and technologies to the market. Based on its success in reaching 200,000 clients in the first few months, UNCDF is looking to expand this programme in other LDCs.

Micro-Insurance: Through a joint programme with the International Labour Organization (ILO), UNCDF is supporting a sector-development approach for the promotion of micro-insurance services, building on the ILO's specialized expertise in micro-insurance and UNCDF's long experience in building inclusive financial sectors. This approach to micro-insurance starts with an in-depth country diagnostic on the demand, supply and regulatory framework, leading to the development with key national stakeholders of a country-specific action plan for micro-insurance. Pilots are underway in Ethiopia, Zambia, and Kenya. The joint programme has also designed with CENFRI a set of normative tools to support this sector-development approach.

Remittances: Through its participation in the IFAD-managed $18 million multi-donor Funding Facility for Remittances (FFR), UNCDF is promoting access for the poor to remittance services. Key objectives of the FFR include lowering costs to senders and recipients through institutional and technological innovations, increasing access to remittance services in remote areas, as well as linking remittances to other financial services, especially savings, which result in widening options for recipients. Twenty five pilots are currently being implemented and in Africa, including in Senegal, Sierra Leone, Ethiopia and Uganda. New pilots are being approved in DRC, Malawi and Madagascar. The project has also analyzed and disseminated data on the key African remittances corridors and the policy issues that must be addressed to create a more conducive environment for remittances.

Microfinance Clean Energy *(in development)*: Based on learning from other successful initiatives (such as at Xac Bank on clean energy products and Micro-Energy Credits on carbon markets), UNCDF is preparing an initiative to work with microfinance market leaders to develop appropriate financial services that will enable poor clients to transition to clean energy sources. The initiative will also help link the MFIs concerned to the voluntary carbon market. CleanStart's objective is to enable 2,5 million people to move out of energy poverty by 2017.

Expansion of Village Savings and Loan Associations *(in development)*: Based on successes of the Village Savings and Loan Association (VSLA) methodology around the world, UNCDF is looking to launch a global programme that would complement its existing efforts in the LDCs, at low cost and at scale.

Client Protection *(ongoing engagement):* As the first funder to endorse the Smart Campaign for client protection in microfinance, UNCDF seeks to encourage partners to adopt and implement the client principles and promote a strong global pro-client industry.

United Nations Secretary-General's Special Advocate for Inclusive Finance for Development: In September 2009, UN Secretary-General Ban Ki-moon designated HRH Princess Máxima of the Netherlands to the newly created role of Special Advocate for Inclusive Finance for Development (UNSGSA). As UNSGSA, HRH Princess Máxima advocates for greater financial inclusion among policymakers and regulators and raises awareness of the issues and opportunities among financial service providers and other potential collaborators, including the public at large The themes which form the core of her advocacy work include access to a range of financial services, starting with savings; a continuum of inclusion, from individuals to SMEs; responsible finance, with protected clients empowered to make sound choices; the mutually reinforcing relationship between financial integrity and financial inclusion; and the importance of data for decision-making. UNCDF houses the UNSGSA's office and coordinates the wider UNSGSA reference group.

The Least Developed Countries and UNCDF Inclusive Finance Programmes

1	Afghanistan #	26	Madagascar
2	Angola	27	Malawi #
3	Bangladesh	28	Maldives *
4	Benin	29	Mali #
5	Bhutan #	30	Mauritania
6	Burkina Faso #	31	Mozambique
7	Burundi #	32	Myanmar
8	Cambodia	33	Nepal #
9	Cape Verde ***	34	Niger #
10	Central African Republic #	35	Rwanda #
11	Chad #	36	Samoa *
12	Comoros *	37	São Tomé and Principe *
13	Democratic Republic of the Congo	38	Senegal
14	Djibouti	39	Sierra Leone
15	Equatorial Guinea	40	Solomon Islands *
16	Eritrea	41	Somalia
17	Ethiopia #	42	Sudan
18	Gambia	43	Timor-Lesté *
19	Guinea	44	Togo
20	Guinea-Bissau *	45	Tuvalu *
21	Haiti *	46	Uganda #
22	Kiribati *	47	United Republic of Tanzania
23	Lao People's Democratic Republic #	48	Vanuatu *
24	Lesotho #	49	Yemen
25	Liberia	50	Zambia #

 # - Landlocked LDCs

*** - Small Island Developing States (SIDS)**

Inclusive Finance Sector Programme

MicroLead

Mobile Money

YouthStart

MicroInsurance

About UNCDF

UNCDF is the UN's capital investment agency for the world's 49 least developed countries. It creates new opportunities for poor people and their communities by increasing access to microfinance and investment capital.

UNCDF focuses on Africa and the poorest countries of Asia, with a special commitment to countries emerging from conflict or crisis. It provides seed capital – grants and loans – and technical support to help microfinance institutions reach more poor households and small businesses, and local governments finance the capital investments – water systems, feeder roads, schools, irrigation schemes – that will improve poor peoples' lives.

UNCDF works to enlarge peoples' choices: it believes that poor people and communities should take decisions about their own development. Its programmes help to empower women – over 50% of the clients of UNCDF-supported microfinance institutions are women – and its expertise in microfinance and local development is shaping new responses to food insecurity, climate change and other challenges. All UNCDF support is provided via national systems, in accordance with the Paris principles. UNCDF works in challenging environments – remote rural areas, countries emerging from conflict – and paves the way for others to follow. Its programmes are designed to catalyze larger investment flows from the private sector, development partners and national governments, for significant impact on the Millennium Development Goals, especially Goal 1: *Eradicate Extreme Poverty and Hunger*, Goal 3: *Promote Gender Equality and Empower Women*, and Goal 7: *Ensure Environmental Sustainability.*

Established by the General Assembly in 1966 and with headquarters in New York, UNCDF is an autonomous UN organization affiliated with UNDP.

For more information please visit www.uncdf.org

SMARTAID FOR MICROFINANCE INDEX 2011
UNITED NATIONS CAPITAL DEVELOPMENT FUND (UNCDF)

★★★★☆

Background

The SmartAid for Microfinance Index measures and rates the way microfinance funders work. Heads of 29 major development institutions endorsed CGAP's development of the Index.[1]

The premise of SmartAid is simple: funders with strong management systems are better equipped to support microfinance effectively. Its indicators assess five areas agreed by all funders as critical for effective microfinance: strategic clarity, staff capacity, accountability for results, knowledge management, and appropriate instruments.

SmartAid enables funders to understand how their systems, policies, procedures, and incentives affect their work in microfinance. An independent, external assessment, the Index highlights strengths and areas for improvement. It can also provide an impetus for funders to take action, prioritize changes, and hold themselves to account for their own performance.

Funders support microfinance with the goal of reducing poor people's vulnerabilities and increasing their incomes. Having the right systems is a necessary, not sufficient, condition for achieving this goal. SmartAid does not, however, evaluate the quality of programs on-the-ground.

Six funders— AusAID, EIB, GIZ, KfW, MIF and UNCDF —participated in SmartAid 2011, increasing the total number of funders participating in the SmartAid Index to 18. Prior rounds have included the participation of AECID, AFD, AfDB, AsDB, CIDA, EC, FMO, IFAD, IFC, ILO, SDC, and Sida. Four agencies from the 2011 round had participated in prior SmartAid rounds (GIZ, KfW, MIF, and UNCDF). This diverse group of funders includes development finance institutions focusing mainly on mature retail institutions, large multilateral development institutions that make sovereign loans to governments, and bilateral and multilateral agencies that primarily provide grants.

The Index presents a standard appropriate for all types of donors and investors. However, good performance against the indicators can take different forms for different agencies. Systems that work can look radically different across funders, based on numerous factors including size, level of centralization, and strategy.

[1]See the Better Aid for Access to Finance meeting, 2006: www.cgap.org/betteraid_meeting/compact.

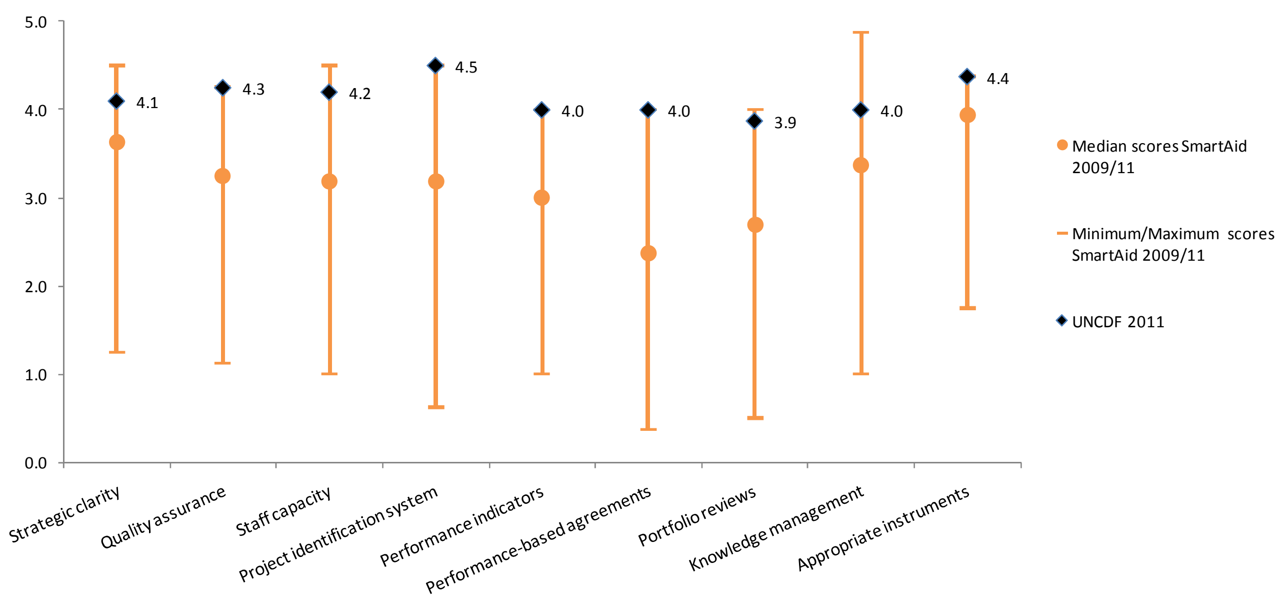
Key Findings

UNCDF received 83 out of 100 points, meaning that overall it has "very good" systems in place to support microfinance. UNCDF increased its score by 10 points since its participation in SmartAid 2009 thanks to significant improvements of its internal systems over the last two years. As the graph below shows, UNCDF scored above 4, on a scale from 0 to 5, on all indicators except indicator 7 (portfolio reviews). On indicator 5 (performance indicators) and indicator 9 (appropriate instruments) UNCDF received the highest scores compared to other agencies participating in SmartAid 2009 and 2011. On quality assurance, project identification system and performance-based agreements (indicators 2, 4 and 6) UNCDF is on par with the highest scores reached in SmartAid so far.

At a Glance	
Type of funder:	**Multilateral/UN Agency**
Microfinance portfolio (committed as of 12/2009):	**$45 million**
Microfinance as % of total portfolio:	**50%**
Number of projects:	**22**
Primary level(s) of intervention:	**☑Retail ☑Infrastructure ☑Policy**
Primary instrument(s):	**Grant**
Primary source of funding:	**Public funds**

UNCDF provides investment capital and technical advisory services to support development in the Least Developed Countries (LDCs). It was set up as a special purpose fund of the UN and is affiliated with the United Nations Development Program (UNDP). UNCDF has two distinct business lines: microfinance and local development. The Financial Inclusion Practice Area (FIPA) manages a country program portfolio and global thematic initiatives on South-South expansion of MFIs (MicroLead) and financial services for youth (YouthStart). UNCDF counts on strategic partnerships to expand its portfolio and develop new initiatives, for example on microinsurance with ILO and on remittances with IFAD. UNCDF's specialization on microfinance, its ability to work with partners and its flexible hiring structures allow it to respond quickly to

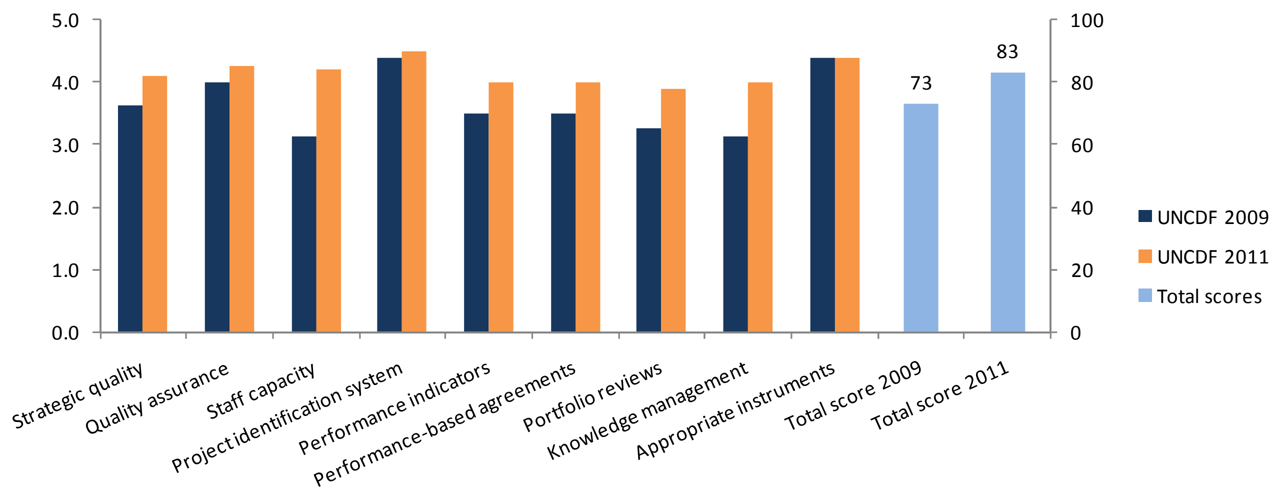
UNCDF Scores



demand and market needs. While it is well placed to develop and pioneer new initiatives, it should be cautious not to lose sight of its core strategy and overstretch its range of activities beyond its capacity.

UNCDF has introduced numerous reforms within FIPA, in line with the recommendations from the last SmartAid round. It clarified its "facilitator" and "investor" roles and has a new business plan for FIPA. UNCDF's staff has grown significantly over the last two years, requiring additional improvements in internal knowledge management systems. UNCDF made a major investment in a new intranet, MyUNCDF, and adopted an agency-wide knowledge management strategy. With the planned 2011 portfolio review, UNCDF will be taking the next major step to distill learning from its experience.

UNCDF scores SmartAid 2009 and 2011



Key Strengths and Weaknesses

- **Strategic Clarity (4.1 /5.0).** UNCDF endorsed an agency-wide 2010-2013 Corporate Management Plan (CMP) with clear strategic objectives and reviews its binding Operations Manual annually. The Business Plan for FIPA, rooted in the CMP, was updated based on the results of SmartAid 2009 and an evaluation of UNCDF's regional program in Africa (BIFSA). The BIFSA evaluation resulted in a strategic shift from national microfinance strategies to a broader financial inclusion approach that goes beyond microfinance. Recognizing its comparative advantage for support at the retail level, UNCDF has redefined and narrowed down its role at the meso and macro levels. In a thorough management exercise, UNCDF reviewed its role as a facilitator, which focused in the past on creating and facilitating national microfinance strategies. As a result, UNCDF will henceforth focus on developing country-level diagnostics with the creation of a standardized tool in partnership with FinMark Trust. It also clarified its investor role at the retail level, paying due attention to the set-up and governance of local Investment Committees that are put in place by UNCDF to coordinate funding at the country-level.

  The new strategy was discussed in a week-long retreat with all staff; however, the transition to the new financial inclusion approach will require continued efforts. As duly recognized by UNCDF, ensuring cohesion between country-level sector development programs and global thematic initiatives remains a challenge.

UNCDF's small core budget and structure requires leveraging funding from partners. The extent to which UNCDF support leverages additional capital flows is defined as a key success indicator in the CMP. While this underlines UNCDF's role as a catalyst, there is a clear risk that it might result in growth led by partnership opportunities rather than strategic vision.

- **Quality Assurance (4.3/5.0).** The UNCDF Operations Manual defines a clear appraisal process for country-level programs. A local project appraisal committee (LPAC) checks that all relevant local stakeholders endorse projects and an appraisal committee at headquarters (HQPAC) ensures compliance with UNCDF's strategy and operational guidelines. Comments or changes to the project design must be approved by both committees before the UNCDF executive secretary commits funding to a project. The FIPA director is a member of the HQPAC and is responsible for implementing amendments to project documents in case the committee made significant comments. Also, any project including a microfinance component, whether originated by FIPA or by the Local Development practice area, must be approved by the headquarters Inclusive Finance Investment Committee. Projects are designed by technical staff at headquarters, regional offices or country offices. A recent decision to reallocate administrative work from technical specialists to operations staff frees time for microfinance specialists in regional centers and country offices to focus on technical work. Their responsibility for quality assurance has been strengthened in the job descriptions.

  Quality assurance processes for country-level programs are very solid. However, the gradual decentralization and addition of many new staff will likely require an adaptation of the general quality assurance processes and quality assurance systems within the thematic initiatives.

- **Staff Capacity (4.2/5.0).** The SmartAid 2009 report identified a mismatch between UNCDF's ambitious strategy covering all three levels of the financial system and the expertise of its staff. Since the last round UNCDF has taken action on both fronts. Firstly, it has narrowed down its work at the market infrastructure and policy levels. Secondly, UNCDF increased its staff capacity: a policy advisor was hired to oversee work on policy, advocacy and client protection. UNCDF has also considerably increased the number of specialist staff at headquarters, in regional offices (Dakar, Johannesburg and Bangkok) and in country offices. The team is expected to increase further, as several positions are still open for recruitment. Once established, the new thematic areas will be staffed with additional technical specialists. Given its flexible procurement system, UNCDF can easily hire external consultants to complement its internal capacity.

  Recognizing its comparative advantage in strong technical competence, UNCDF invests significantly in staff development. Strengthening its ability to develop a talented workforce is part of the strategic

Good Practice Highlight

MyUNCDF – Intranet in the Facebook era

MyUNCDF is a state-of-the-art intranet platform that gives staff access to internal resources, project documents, contacts and infotainment, such as an interview with UNCDF's Executive Secretary David Morrison. Every staff has her/his profile online and a chat function serves as an informal forum for exchange among staff located in offices around the world. The platform is easy to use and staff can create their own content related to their projects and their unit. MyUNCDF seems to make document management more efficient and even less tedious.

objectives defined in the CMP. UNCDF has undertaken a training needs assessment for staff and as a result it has sent several staff to external trainings such as the Boulder Microfinance Program. Nevertheless, staff capacity in some regions still lags behind and skills are not necessarily concentrated in the offices with the largest project portfolios. Country Technical Advisors (CTAs) have to assume new responsibilities in topics covered by the thematic initiatives, but it is not clear how well they are equipped and trained to do that.

- **Project Identification System (4.5/5.0).** UNCDF's Atlas database can generate a list of all projects anytime. Projects are assigned a code depending on the department that manages them. As microfinance is one of only two practice areas at UNCDF, identifying the microfinance portfolio is relatively straight-forward. Atlas keeps track of all financial transactions and all major project documents have to be uploaded to the system. Training on Atlas is available to staff. The Operations Manual includes clear guidelines on what needs to be entered into the system, however, it does not explain how codes are assigned.

- **Performance Indicators (4.0/5.0).** UNCDF recently established an online platform for performance information called Financial Inclusion Online (FIOL), which is accessible to all staff and external guest users. Partners are required to report quarterly on standard performance indicators which were developed in cooperation with the MIX and include outreach, poverty, sustainability and operational efficiency indicators. UNCDF tracks whether quarterly reports are sent on time, and on-time reporting is currently at an impressive rate of 93%. FIOL consolidates performance information of supported financial service providers per country and provides a good overview of how these institutions perform compared to their peers. UNCDF analyzes the data to check whether projects meet their targets, which is reported in an aggregated form in the Annual Report. However, there is no analysis of the standard performance indicators across the portfolio, which is clearly a missed opportunity given that the data is available. Comparing the performance of institutions across different countries or even regions could help identify trends or adverse market developments. UNCDF has started defining indicators for its projects at the market infrastructure and policy levels, but no standards have emerged so far.

- **Performance-based Agreements (4.0/5.0).** UNCDF has made significant improvements in the use of performance-based agreements since the last SmartAid round, which is reflected in a 0.5 increase of its score on indicator 6. UNCDF has model grant agreements that require the definition of performance targets and disbursement conditions. Performance indicators are standardized, but there is flexibility in adapting performance targets to the supported microfinance institution. An operational guidance note helps staff define targets and specifies who is responsible for monitoring and for enforcement in case of non-compliance. Also, the Client Protection Principles have been integrated into standard agreements. UNCDF has integrated learning from its past experience with enforcement letters and has introduced new guidance to help staff enforce performance-based agreements. A checklist helps staff decide whether the disbursement conditions are met, and a waiver system was introduced for cases where disbursement is justified in spite of missing performance targets. UNCDF analyzes the achievement of performance targets and has a good overview of how many of its projects are underperforming.

  UNCDF seems to have overcome its reluctance to suspend funding for financial service providers that do not comply with performance targets. This practice is still new and while the operational guidance note clarifies responsibilities, there is little actual guidance on how to evaluate, when to suspend funding and when to grant a waiver. While grant agreements are strongly performance-based, this is not the case for loan agreements. Also, initial thinking about performance-based agreements with meso and macro level actors has yet to be implemented.

- **Portfolio Reviews (3.9/5.0).** UNCDF's microfinance portfolio was reviewed in 1998 and again in 2005 as part of a larger UNDP portfolio review. In addition, UNCDF undertook thematic reviews such as the evaluation of MicroStart and BIFSA (Building Inclusive Financial Sectors in Africa). UNCDF's evaluation policy requires outcome, program and project evaluations. The portfolio reviews are not only accessible to staff, but also shared on public platforms such as the Microfinance Gateway. UNCDF takes evaluation results seriously and discusses the findings at its internal retreats. Management reviews and prioritizes the recommendations made by evaluators and takes action to implement them. Progress against strategic management objectives is communicated in the Annual Report. The different reviews and evaluations have indeed lead to major strategic and institutional improvements within UNCDF. Following a recommendation made in the SmartAid 2009 report, UNCDF is currently in the process of designing a new review of its microfinance portfolio. The review covers both the country-level programs and the thematic initiatives, and it presents an excellent opportunity for UNCDF to compare the performance of those two different approaches. So far, evaluations and reviews have not focused on the quality of UNCDF's input or its value added, which this review should certainly address.

- **Knowledge Management (4.0/5.0).** UNCDF has invested significantly in its knowledge management systems since the last round of SmartAid, resulting in a 0.9 point increase on indicator 8. The new intranet, MyUNCDF, is a powerful tool for knowledge sharing and document management. It is bi-lingual, user-friendly and features a chat function that facilitates exchange among staff. Policies, manuals, the UNCDF Newsletter and project documents are easily available thanks to a clear "Document Management and Classification Policy". UNCDF hired a knowledge management focal point and developed a knowledge management strategy that is anchored in its CMP. UNCDF invited GIZ, an acknowledged leader on knowledge management, to a corporate retreat where it provided input for the development of the strategy. The corporate strategy was translated into a concrete four-year staff development and knowledge management plan for FIPA. UNCDF holds regular calls to ensure communication flows between regions, country offices and headquarters, and all staff comes together at an annual retreat. UNCDF's progress on knowledge management is impressive; what remains to be seen is how the new knowledge management strategy will be implemented and how staff will take up the new systems. Fostering learning between country-level programs and thematic initiatives will become increasingly important.

- **Appropriate Instruments (4.4/5.0).** UNCDF's flexible grant instrument is well adapted to its strategy and its focus on LDCs. Under its mandate UNCDF works directly with the private sector and aims at building sustainable financial service providers. UNCDF can also make loans, which makes it unique among UN organizations. However, this instrument is rarely used and when it is used, it is usually linked to capacity building grants. Reliant on partnerships and external funding, UNCDF articulates well its comparative advantage and the "value for money" of its programs. Leveraging additional funds from other donors is an integral part of its business model, which defines UNCDF as a catalyst. The recent operational guidelines on UNCDF's facilitation and investment roles also help clarify UNCDF's delivery model and the use of its instruments. UNCDF policy prohibits credit components in the Local Development program, UNCDF's second practice area. While strong safeguards are in place to prevent this, vigilance is still required, particularly with increased decentralization and staff expansion. UNCDF's Vision and Mission Statement includes key principles to avoid market distortions and to leverage commercial sources of funds when using subsidies. However, the mechanisms to check whether these principles are respected could be strengthened.

Recommendations

UNCDF has a clear focus on pushing the frontiers of financial inclusion in some of the most difficult markets. It is well equipped to deliver on this strategy, having the technical staff capacity and the instruments in place to support financial service providers in LDCs. Major steps have been taken to enable UNCDF to learn from its past experience and this learning is accessible to staff throughout the institution. UNCDF's commitment to improving the effectiveness of its systems is exemplary and the responsiveness to recommendations made through SmartAid and other external or internal evaluations is impressive. Given the recent strategic reorientation and the fast pace of institutional change, it is now time to focus on implementation, observing how staff takes up the new systems and exploring what is working and what needs refinement.

The following suggestions emerge from the SmartAid review:

- **Ensure that new partnerships are aligned with strategic priorities.** Partnerships are an excellent way to seize new opportunities and develop additional areas of work. However, UNCDF should make sure new initiatives fit within its strategic framework and do not over-stretch the capacity of its staff, especially in regional and country offices. The coherence between the country-level sector approach and the thematic initiatives still requires some more thinking at a strategic level, but most importantly, UNCDF should address how the new approach is implemented and how to facilitate staff uptake.

- **Use full potential of portfolio review.** The 2011 portfolio review is a great opportunity for institutional learning. UNCDF should make sure the review looks both at the underlying performance of financial service providers and the quality of UNCDF's inputs. Also, the review should be able to answer questions regarding the effectiveness of country-level programs compared to projects managed within the thematic initiatives.

- **Strengthen performance-based elements in loan agreements.** Grants, UNCDF's primary instrument, are performance-based. However, performance incentives in UNCDF's loan agreements could be strengthened. UNCDF's loans are concessional and mid- to long-term, and UNCDF uses them as a mechanism to test a financial service provider's financial sustainability. Including financial and social performance targets in loan agreements would better serve this purpose.

- **Clarify use of grants for financing the portfolios of financial service providers**. UNCDF uses grants to provide seed capital and technical support. In a few cases, loans are used to finance financial service providers' loan portfolios. Given that UNCDF can make concessional loans and takes considerable risk, it should clarify when the use of grant funding for financing portfolios is justified, and when a loan better fits this purpose.

Methodology

SmartAid distills learning from over nine years of aid effectiveness work undertaken by CGAP with its members. The indicators draw on the consensus *Good Practice Guidelines for Funders of Microfinance* and a body of knowledge developed through peer reviews, country reviews, and portfolio reviews. Aid effectiveness experts from the Center for Global Development and OECD's Development Assistance Committee contributed crucial advice.

	Points	Range
★★★★★	90–100	Very Good
★★★★½	80–89	
★★★★☆	70–79	Good
★★★½☆	60–69	
★★★☆☆	50–59	Partially Adequate
★★½☆☆	40–49	
★★☆☆☆	30–39	Weak
★½☆☆☆	20–29	
★☆☆☆☆	10–19	Inadequate
½☆☆☆☆	0–9	

The nine indicators used in the SmartAid Index were selected and refined over the course of a pilot round in 2007, an external evaluation, consultation with experts and the first round of the Index in 2009. For the 2011 round two of the indicators were further refined to remove redundancy, however the indicators remain consistent in nature and scores are comparable across the 2009 and 2011 rounds. The scores of the 2007 pilot round are not comparable.

The nine indicators are worth between 10 and 15 points each, for a total maximum of 100 points (see table). Different weights are assigned to indicators, giving more prominence to those that make a greater difference in a funders' work in microfinance. Accountability for results is a powerful element and accounts for 40 percent of the score. As the wise dictum goes, what cannot be measured, cannot be managed.

The Index is based on self-reported documentation from participating funders, following instructions in the SmartAid Submission Guide. Scores are determined by a review board of four microfinance specialists with broad experience with a range of funders. Each review board member independently scores all funders against all indicators; final scores are agreed upon after discussion among reviewers. For each indicator, funders receive a score on a 0-5 scale (5 being the highest score). These scores are then multiplied by a factor of two or three to arrive at the 100 point scale. Medians as well as minimum and maximum scores shown in the graph in the Key Findings section represent the scores of all participants of the 2009 and 2011 SmartAid rounds. For agencies participating in more than one round, only their latest score is included in the medians.

Naturally, a margin of error is unavoidable in this type of exercise. Funders should not give undue attention to differences of one or two points. The most strong and meaningful messages lie in where a funder performs along the range of scores for each indicator as well as whether its overall performance lies in the "very good," "good," "partially adequate," "weak," or "inadequate," range.

SmartAid for Microfinance Index Indicators			
Strategic Clarity	**1**	Funder has a policy and strategy that addresses microfinance, is in line with good practice, and is based on its capabilities and constraints.	**15 points**
Staff Capacity	**2**	Funder has quality assurance systems in place to support microfinance projects and investments.	**10 points**
	3	Funder has the staff capacity required to deliver on its microfinance strategy.	**15 points**
Accountability for Results	**4**	Funder has a system in place that identifies all microfinance projects and components.	**10 points**
	5	Funder monitors and analyzes performance indicators for microfinance projects and investments.	**10 points**
	6	Funder incorporates performance-based elements in standard agreements with partners.	**10 points**
	7	Funder regularly reviews the performance of its microfinance portfolio.	**10 points**
Knowledge Management	**8**	Funder has systems and resources for active knowledge management for microfinance.	**10 points**
Appropriate Instruments	**9**	Funder has appropriate instrument(s) to support the development of local financial markets.	**10 points**
MAXIMUM SCORE			**100 points**

About CGAP

CGAP is an independent policy and research center dedicated to advancing financial access for the world's poor. It is supported by over 30 development agencies and private foundations who share a common mission to alleviate poverty. Housed at the World Bank, CGAP provides market intelligence, promotes standards, develops innovative solutions, and offers advisory services to governments, microfinance providers, donors, and investors.

Funders participating in SmartAid to date

Agencia Española de Cooperación Internacional para el Desarrollo (AECID), Agence Française de Développement (AFD), African Development Bank (AfDB), Asian Development Bank (AsDB), Australian Agency for International Development (AusAid), Canadian International Development Agency (CIDA), European Commission (EC), European Investment Bank (EIB), FMO, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), International Fund for Agricultural Development (IFAD), KfW Entwicklungsbank (KfW), International Finance Corporation (IFC), International Labour Organization (ILO), Multilateral Investment Fund (MIF), Swedish International Development Cooperation Agency (Sida), Swiss Agency for Development and Cooperation (SDC), United Nations Capital Development Fund (UNCDF)

Authors

Mayada El-Zoghbi and Barbara Gähwiler, with important contributions from Alice Nègre and the Review Board Members Heather Clark, Lene Hansen, Kathryn Imboden and Klaus Maurer.

Annex N: Key Staff Bios

David Morrison, Executive Secretary

David Morrison joined the United Nations Capital Development Fund (UNCDF) as the Executive Secretary in July 2008. In this position, he sets UNCDF's strategic direction and provides organizational leadership and management for the organization.

Mr. Morrison began his career with the United Nations Development Programme (UNDP) as Junior Professional Officer in DPR Korea in the late 1980s. He returned to UNDP in 1999-2000 as an Advisor to the Administrator on Strategy and Partnerships, serving on the incoming Administrator's Transition Team, and helping to create UNDP's Business Plans 2000 - 2003. From 2000-2004 he was President of NetAid, a partnership initiative founded by UNDP and Cisco Systems to use the Internet to fight poverty. Prior to joining UNCDF he served as UNDP's Director of Communications.

Mr. Morrison has also worked for the Foreign Service of Canada, where his assignments included the Canadian Embassy in Havana and the Policy Staff in Ottawa, and for the World Economic Forum, where he was programme director for the annual summit in Davos, Switzerland, from 1995-1999.

Mr. Morrison holds an M. Phil from University of Oxford and a B.A. from Yale University. He is a Canadian citizen and speaks English, French and Spanish.

Henri Dommel, FIPA Director

Henri Dommel joined UNCDF as the Director of the Inclusive Finance Unit in 2007. He is responsible for leading the Unit's strategy in promoting the access to financial services and the development of inclusive financial sectors in Least Developed Countries. In his position, Mr. Dommel helps develop UNCDF's strategy within Inclusive Finance. He also contributes to mobilizing external partnerships and supports UNCDF's agenda on product innovation and diversification which includes microinsurance and remittances. M. Dommel leads a technical team of regional managers, portfolio managers and country resident advisors based in the field.

Prior to joining UNCDF as Director, Mr. Dommel spent 6 years (2001-2007) at Rural Finance, IFAD (International Fund for Agricultural Development) as its Senior Technical Advisor. Prior to IFAD, M. Dommel had worked as Programme Manager at UNCDF from 1993 to 2001. Before entering the UN system altogether, Henri Dommel worked at Banque Paribas in New Delhi as well as in Paris at the bank's department for Africa and the Middle East.

Mr. Dommel holds a masters degree in International Affairs from the School of Advanced International Studies at Johns Hopkins University, and a degree from the "Institut d'Etudes Politiques" of Paris, France.

John Tucker, FIPA Deputy Director

John Tucker is the Deputy Director of UNCDF's Financial Inclusion practice area and has 20 years experience working in microfinance/inclusive finance. He recently designed a global programme, MicroLead, awarded a grant of US$19.9 million from the Bill & Melinda Gates Foundation to support the expansion of top MFIs to Least Developed Countries. He is the co-designer of the Global MicroStart Programme that was recognized by the independent Consultative Group to Assist the Poor (CGAP) review of UNDP's microfinance portfolio as being the successful model in the portfolio. His recent focus includes post-conflict microfinance (Sierra Leone, Liberia, Timor Leste, Southern Sudan & Nepal). Prior to joining UNCDF, he worked for UNDP in Tanzania, where he was responsible for microfinance programming. He has a Masters degree from Johns Hopkins School of Advanced International Studies (SAIS) in international economics, African studies and social change and development.

Pamela Eser, MicroLead Programme Manager

Pamela Eser joined UNCDF in March 2009 as the Manager of a new global initiative, MicroLead. In this role, Ms. Eser manages a US$27 million fund (increasing to US$50 million via this MicroLead Expansion programme) available to global microfinance market leaders who are expanding outside their national borders, either by greenfielding or by providing technical assistance to national FSPs. Ms. Eser works with market leaders, such as BASIX from India, BRAC from Bangladesh, and Equity Bank from Kenya. Her role is to market the programme to prospective applicants, review and recommend applications for Investment Committee approval, negotiate with applicants on budgets, milestones, and disbursement conditions, and monitor and evaluate progress. In addition, she is responsible for knowledge management of this initiative and for fundraising to expand the program to a second phase.

Prior to UNCDF, Ms. Eser worked for international NGOs from 1996 to 2009 as program officer, economic development director, and financial services director. She has worked extensively with microfinance, microenterprise development, and development banking in post-conflict and transitional environments throughout Central Asia, Asia, Africa and the Balkans. Ms. Eser founded and managed Partner Microcredit Foundation, an MFI in Bosnia-Herzegovina, where she recruited and trained local staff, expanding the MFI from 5 to 61 staff with 16 field offices. Ms. Eser also helped establish MFIs in Tajikistan, Uzbekistan, Kyrgyzstan, Afghanistan, Kosovo, Mongolia, Chechnya and China. Her experience includes technical assistance and business planning for China's largest microfinance program, sector review of Nepal's, Ethiopia's, Central African Republic's and Democratic Republic of Congo's microfinance industries, business planning for start-up MFIs, governance role on the boards of numerous MFIs, fundraising, transformations, and general microfinance support, monitoring and evaluation.

Prior to international development, Ms. Eser worked as an investment banker in real estate and commercial mortgage securitization. She holds a Masters degree in Business Administration from the Anderson School at UCLA and a Bachelor of Science degree in civil engineering from Stanford University.

Beth Porter, Policy Advisor

Beth Porter joined UNCDF in May 2010 as Policy Advisor responsible for providing policy guidance and support on UNCDF's inclusive finance portfolio. In this role, she works with governments, donors, and policy experts. Ms. Porter is a microfinance specialist with more than 20 years of experience. Prior to joining UNCDF, Ms. Porter launched and directed the Youth-Inclusive Financial Services training initiative at Making Cents International. Previously, she was Vice President of Freedom from Hunger, which offers financial and non-financial services in 16 countries around the world. As an independent consultant, she led assessment and design teams for MicroStart programs in four countries for UNCDF, amongst other strategic and technical engagements. Ms. Porter has a Masters degree in International Relations from Johns Hopkins School of Advanced International Studies in Washington, D.C. and a Bachelors of Arts degree from Stanford University in California. She is fluent in English, French and Spanish.

Fodé Ndiaye, Senior Technical Advisor and Head of the West and Central Africa Regional Office

Fodé Ndiaye joined UNCDF in August 1998 as a financial expert. He has 26 years of experience in the field of finance and development as project manager, banker, consultant for UN agencies, regional banks and other international organizations. The scope of his work covers rural finance, inclusive finance and sustainability. Prior to joining UNCDF, Mr. Ndiaye was the Secretary-General of CNCAS (a bank) and a benevolent founder and first President of the International Guarantee Fund. He is an agronomist, specialized in rural finance and economics (France), and certified in microfinance and SME finance (Harvard) and in public policy and management (Mason Fellow, Harvard). He has a PhD from Erasmus University (The Netherlands) and a Master's diploma from Harvard Kennedy School of Government (USA).

Makarimi Adechoubou, Senior Technical Advisor and Head of the Southern and Eastern Africa Regional Office

Makarimi Abissola Adéchoubou joined UNCDF in April 1995. He is a Rural and Development Economist, certified in microfinance and SME finance (Harvard Kennedy School). He has more than 20 years in the field of rural development and inclusive finance in Africa. Before joining UNCDF in 1995, Mr. Adéchoubou consulted for donor agencies in the areas of rural and informal finance while working, from 1990 to 1995, as the Director of the Network FECECAM-Benin, one of the biggest credit union in francophone West Africa. Currently, he is the Chief of the UNCDF Regional Office the Southern and East Africa and the Senior Technical Advisor for the joint UNDP/UNCDF programme named “Building Inclusive Financial Sectors in Africa (BIFSA)” for this region.

Annex O: Risk Assessment

#	Description	Category	Impact & Probability	Countermeasures / Management Response	Owner	Author	Date Identified	Last Update	Status
1	FSP applications overstate outreach.	Strategic	Programme will not achieve outreach target Probability = 3 (low)	Experience from existing MicroLead programme shows that majority of FSPs overstate outreach in application; discount outreach when evaluating applications.	MicroLead PM CTA working in close coordination with FIPA Director and Deputy Director	Project developer	During programme design	March 2011	No change in status
2	FSPs are overstretched with home country or international programming.	Strategic	Programme will not achieve outreach target due to FSP capacity limitations Probability = 3 (low)	Due diligence on FSP will consider all operations, not only country for which application received. Experience to date for existing MicroLead grantees to be evaluated and taken into consideration.	MicroLead PM FIPA Director and Deputy Director	Project developer	During programme design	March 2011	No change in status

#	Description	Category	Impact & Probability	Countermeasures / Management Response	Owner	Author	Date Identified	Last Update	Status
3	Budget of FSPs are underfunded to cover FSP expansion costs.	Financial & Strategic	Programme will not achieve outreach target Probability = 3 (low)	Scoring criteria will favour FSPs that have secured a significant proportion of needed funds. Additional sources of funding, such as FIPA Inclusive Finance sector programmes, World Bank/DFID MICFAC, AfDB Techmifa can be approached for funds.	MicroLead PM working in close coordination with FIPA Director and Deputy Director	Project developer	During programme design	March 2011	No change in status
4	TA projects unable to reach targets due to lack of clear accountability.	Strategic and Organizational	Programme will not achieve outreach target Probability = 3 (low)	PBAs will be signed with both TSPs and FSPs for TA projects. Similar disbursement conditions and targets will be in PBA to ensure all parties working towards same goal.	MicroLead PM FIPA Director and Deputy Director	Project developer	During programme design	March 2011	No change in status
5	FSPs become insolvent, placing savings at risk.	Strategic and Organizational	Programme will not achieve outreach target Program suffers from reputational risk Probability = 3 (low)	RFA and due diligence processes will protect against selection of weak institutions, by ensuring that the FSP has adequate liquidity, reserves and regulatory oversight to protect against unforeseen losses. Releasing funds in tranches also mitigates potential loss of funds and related impact.	MicroLead PM FIPA Director and Deputy Director	Project developer	During programme design	March 2011	No change in status
6	Government endorsement not obtained.	Organizational	Programme will not achieve target when	Immediately upon Investment Committee approval, but prior to final negotiations with FSPs/TSPs, RTA will	MicroLead PM RTA	Project developer	During programme design	March 2011	No change in status

			projected Probability = 3 (low)	approach government to explain programme. Government endorsement letters will have deadline for acceptance; if not accepted, applications will continue to be reviewed on a rolling basis after initial RFA so that full amount of FSP/TSP funding will be committed.	FIPA Director and Deputy Director				
7	Approved applicants do not proceed.	Organizational	Programme will not achieve target when projected Probability = 3 (low)	FSP/TSP award letters will have deadline for executing PBA; even if FSP/TSP withdraws project, applications will continue to be reviewed on a rolling basis after initial RFA so that full amount of FSP/TSP funding will be committed.	MicroLead PM FIPA Director and Deputy Director	Project developer	During programme design	March 2011	No change in status

Annex P Workplan - Output 1: FSP/TSP Support

Milestones and Activities	Year 0		Year 1				Year 2				Year 3				Year 4				Year 5				Year 6	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
FSP Support																								
MILESTONE 1: LAUNCH PROGRAMME																								
1.1 Hold HQ Project Appraisal Committee (PAC) Meeting																								
1.2 Obtain 3 LDCs signatures																								
1.3 Issue RFA to FSPs/TSPs																								
MILESTONE 2: OBTAIN GOVERNMENT ENDORSEMENT and INFORM IC																								
2.1 Contact Governments to inform of prospective project																								
2.2 Inform Local IC in programme country																								
2.3 Endorsement Letters finalized and sent to Governments																								
2.4 Follow up until Government signature is obtained																								
MILESTONE 3: SELECT GRANTEES																								
3.1 Publish TOR and make selection of team of consultants to review applications																								
3.2 Applications reviewed and ranked for IC																								
3.3 Hold/Participate in IC																								
3.4 Communicate decision to applicants																								
MILESTONE 4: SIGN PBAs																								
4.1 Due diligence to FSPs																								
4.2 Negotiate targets with FSPs/TSPs if necessary																								
4.3 Execute PBAs with FSPs/TSPs																								
MILESTONE 5: MONITORING AND DISBURSEMENTS																								
5.1 Disburse tranches as per PBAs and confirm receipt																								
5.2 Monitor performance/onsite visit at least once per year																								
5.3 If necessary, renegotiate, suspend, terminate PBA based on FSP/TSP progress																								

Annex P Workplan - Output 2: Knowledge Management

Milestones and Activities	Year 0		Year 1				Year 2				Year 3				Year 4				Year 5				Year 6	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Knowledge Management																								
MILESTONE 1: DISSEMINATE CASE STUDIES																								
1.1 Publish TOR for consultant																								
1.2 Select consultant																								
1.3. Conduct literature review																								
1.4 Travel / site review																								
1.4. Draft paper																								
1.5. Review/incorporate comments to first draft																								
1.7 Finalize/Edit case study																								
1.8 Translate case study																								
1.9. Document production (Design, printing)																								
1.10 Identify delivery channels																								
1.11 Disseminate case study																								
MILESTONE 2: PARTICIPATION and/or PRESENTATION IN CONFERENCE/MEETINGS																								
2.1 Participate in trainings/conferences related to savings																								
2.2 Prepare paper and/or presentation																								
2.3. Review paper/presentation																								
2.4. Conference preparation/logistics																								
2.5. Convene meeting																								
2.6. Lessons learned captured at meetings/conferences																								
2.7 Identify delivery channels																								
2.8 Lessons learned shared																								
MILESTONE 3: FOSTER AND DISSEMINATE LESSONS LEARNED from EVALUATIONS																								
3.1 Extract lessons learned from existing Microlead mid-term evaluation																								
3.1 Extract lessons learned from existing Microlead final evaluation																								
3.3. Synthesize lessons shared																								
3.4. Disseminate learning among grantees (intranet, team works etc)																								
MILESTONE 4: DISSEMINATE POLICY/PROGRAMME BRIEFS																								
4.1 Draft policy/programme briefs																								
4.2. Translate policy/programme briefs																								
4.3 Design template of policy/programme briefs																								
4.4. Document production																								
4.5. Identify delivery channels of queerly news letter																								
4.4. Disseminate policy/programme briefs																								

Annex P Workplan - Output 3: Programme Management and Evaluation

	Year 0		Year 1				Year 2				Year 3				Year 4				Year 5				Year 6	
Milestones and Activities	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Programme Management																								
MILESTONE 1: PROGRAMME STAFF IN PLACE																								
1.1 Hire MicroLead Expansion Programme Manager																								
1.2 TOR for Programme Specialist																								
1.3. Hire and orient Programme Specialist																								
1.4 TOR for Programme Specialist (2)																								
1.5 Hire and orient Programme Specialist (2)																								
1.6 Orient RTA to MicroLead Expansion																								
MILESTONE 2: MIDTERM AND FINAL EVALUATIONS CONDUCTED																								
2.1 Participate in existing MicroLead Final Evaluation																								
2.2 Support existing MicroLead Final Evaluation																								
2.3 Review report and recommendations																								
2.4. Prepare TORs for Final Evaluation consultants																								
2.5 Hire Consultants																								
2.6 Conduct Evaluation - desk review																								
2.7 Conduct Evaluation - site visits																								
2.8 Review Final evaluation report and recommendations																								
2.9 Translate Final evaluations																								
2.10 Disseminate report																								
2.11 Distill and share lessons																								

UNITED NATIONS CAPITAL DEVELOPMENT FUND
JOB DESCRIPTION

I. Post Information	
Job Title: Programme Advisor (Fund for Savings-Led Market Leaders, "MicroLead") Post Number: 00035745 Organizational Unit: UNCDF HQs Supervisor / Grade: UNCDF Inclusive Finance Director Supervisor Grade: ICS-13 Post Status: Non-rotational Source of Funding: Development Funded Project	Current Grade: P-4 (ICSC-11) Proposed Grade: P-5 (ICSC-12) Approved Grade: Post Classified by: Classification Approved by:

II. Organizational Context

UNCDF is the UN's capital investment agency for the world's least developed countries. It creates new opportunities for poor people and their communities by increasing access to microfinance and investment capital. UNCDF focuses on Africa and the poorest countries of Asia, with a special commitment to countries emerging from conflict or crisis. It provides seed capital – grants and loans – and technical support to help microfinance institutions reach more poor households and small businesses, and local governments finance the capital investments – water systems, feeder roads, schools, irrigation schemes – that will improve poor peoples' lives.

UNCDF works to enlarge peoples' choices: it believes that poor people and communities should take decisions about their own development. Its programmes help to empower women – over 50% of the clients of UNCDF-supported microfinance institutions are women – and its expertise in microfinance and local development is shaping new responses to food insecurity, climate change and other challenges. All UNCDF support is provided via national systems, in accordance with the Paris principles. UNCDF works in challenging environments – remote rural areas, countries emerging from conflict – and paves the way for others to follow. Its programmes are designed to catalyze larger investment flows from the private sector, development partners and national governments, for significant impact on the Millennium Development Goals, especially Goal 1: *Eradicate Extreme Poverty and Hunger*, Goal 3: *Promote Gender Equality and Empower Women*, and Goal 7: *Ensure Environmental Sustainability.*

Established by the General Assembly in 1966 and with headquarters in New York, UNCDF is an autonomous UN organization affiliated with UNDP.

Despite the rapid growth of the microfinance industry in the past ten years, it is estimated that between two and three billion people still lack access to a broad range of financial products and services on a sustainable basis. The situation is particularly dire in the LDCs, where often more than 90 per cent of the population is denied access to financial services from the formal financial system. UNCDF focuses its strategy on Financial inclusion, which is universal access, at a reasonable cost, to a wide range of financial services, provided by a variety of sound and sustainable institutions. The range of financial services includes savings, short and long-term credit, leasing and factoring, mortgages, insurance, pensions, payments, local money transfers and international remittances.

Recognizing (i) the importance of 'market leaders' to drive sector development and (ii) the demand for safe, convenient savings products by low income populations, in 2008 UNCDF launched, with the support (USD 19.97 Million) of the Bill & Melinda Gates Foundation, the LDC Fund to Develop Savings-led Market Leaders (see programme document http://www.uncdf.org/english/microfinance/uploads/project/2008-10-27_21%20October_08_Savings_Led_Market_Leaders_LDC_FIF.pdf). Based on proven business models, market leaders can rapidly scale-up their own operations offering a variety of products and services while accelerating the pace of sector development. The Fund provides loans and grants to leading financial service providers (FSPs) on a competitive basis to facilitate their entry into LDCs, including in post-conflict contexts, where access to finance is most limited. The Fund has provided support to some of the leading FSPs from the South to expand their operations through green-fielding or technical assistance provision to existing FSPs, with a focus on saving-based models.

With the progress to date of the Fund, UNCDF is launching an expansion of the programme in 2011 with the support (USD 23.5 Million) of The MasterCard Foundation. The programme expansion will continue with the savings-led focus and will encompass both LDCs and non-LDCs. The Programme Advisor will manage the full programme (currently USD 51.5 Million), named MicroLead, which encompasses both the existing LDC-focused south-south cooperation programme in addition to The MasterCard Foundation-supported programme and any future funding secured for MicroLead, including expected MicroLead Client Impact Evaluation funding. The Programme Advisor will be responsible to launch and manage the expansion of MicroLead taking it from an LDC-only focus to a broader global financial inclusion focus. S/he will also manage existing commitments under the LDC-focused programme. The Programme Advisor will report to the UNCDF Inclusive Finance Director and will have programmatic oversight of the staff included in the MicroLead Programme Management Unit.

III. Functions / Key Results Expected

The key result expected is the successful implementation and attainment of targets of the MicroLead savings-led programme, including coordination with/reporting to all stakeholders, FIPA internal team and the funders of the programme. The Programme Advisor will pursue the following key results of the programme:

1. Sustainable FSPs (Greenfield/TA) providing access to affordable, demand-driven, responsibly-delivered, savings-focused financial and non-financial products and services to low income people in underserved areas;
2. Knowledge generated and disseminated among FSPs, TSPs, policy makers, donors and other stakeholders related to savings mobilization, Greenfield operations and technical assistance provision; and,
3. An efficiently-managed and evaluated programme with top talent and expertise meeting or exceeding all targets.

Key Functions:

Programmatic Quality Assurance & Portfolio Management (50%)

- Manage the delivery of programme purpose and outputs on time and to budget.
- Technically supervise the Programme Specialist(s) hired to support implementation of the programme.
- Prepare annual plans and budgets.
- Manage RFA processes and selection of grantees, including managing consultants hired to review applications, undertaking due diligence missions, and ensuring applicants meet minimum eligibility criteria.
- Prepare recommendations to FIPA Investment Committee (IC) for award of grants and/or loans to successful RFA applicants.
- Responsible for FIPA IC presentations summarizing applicants, scoring, and recommend conditions for funding. Communicate results to applicants.
- Prepare, negotiate and finalize performance-based agreements (PBAs) with successful RFA applicants.
- Manage process of obtaining government endorsement of (i) programme document and (ii) individual FSP/TSP awards. Provide support to FIPA's network of Regional and Country Technical Advisors to support their efforts in obtaining government endorsements and informing local ICs of MicroLead programming.
- Prepare quarterly, mid-year and annual progress reports (APRs), as required by funders and/or UNCDF. Ensure financial and performance reports are issued to development partners on time as per Cost-Sharing Agreement requirements.
- Support Regional Technical Advisors/Managers to ensure FSPs'/TSPs' smooth introduction to key local actors, start-up and constraints removed.
- Assure, track and analyze quarterly portfolio reporting.
- Report project achievements, delivery and other areas of accountability to FIPA, for input to regular UNCDF performance monitoring and reporting.
- Monitor FSP/TSP progress toward disbursement conditions, results, and targets. Provide support to FSPs/TSPs as needed. Manage process of suspending/terminating/extending PBAs and/or loan agreements, as necessary.
- Effective and efficient use of ATLAS in line with project cycle with Atlas approval authority at Level 2 and in compliance with UNCDF Internal Control Framework.

Knowledge Management (25%)

- Manage MicroLead programme knowledge generation and dissemination, including case studies, briefs, research documents, client impact evaluations, and mid-term and final evaluations. Draft TORs, manage consultants.
- Manage process of convening national and regional stakeholders to share lessons learned.
- Contribute to knowledge-sharing networks on microfinance and inclusive finance initiatives regionally and globally either by direct participation or via Teamworks by flagging important discussions to FIPA's global practice community.
- Collaborate with key partners and microfinance practitioners for research and development of innovative, cutting-edge strategies and approaches to sharpen delivery of microfinance products and services in order to better achieve programme objectives.
- Participation and contributions to UNDP sub-practice in microfinance and small/medium enterprises for knowledge management and cross-country learning.

- Ensure key documentation is available on the UNCDF Intranet to facilitate UNCDF staff access to programme information.
- Develop and provide annual Learning Plan to FIPA KM Specialist and attend approved trainings; share debriefing and value of training with the wider Practice community through Teamworks.
- Become familiar with UNCDF KM Strategy and other relevant resources (KM Strategy, HR Strategy, Learning Strategy, UNCDF Document Management Policy).
- Develop an online presence by creating and updating a bio page on Teamworks.

Corporate Support (10%)

- Support annual and cumulative UNCDF results analyses and substantive inputs into Unit work plan and UNCDF and FIPA Business Plans.
- Support the development of UNCDF programme and business strategies and to annual reviews; contribute to quarterly global teleconferences.
- Provide advice to UNCDF senior management on technical issues and business development opportunities, including inputs into corporate presentations and reports; share perspectives through Teamworks to increase outreach and foster innovation.

Resource Mobilization (10%)

- Develop strategies to mobilize additional resources based on programme resource requirements and new opportunities.
- Support efforts of UNCDF to mobilize additional resources for MicroLead and/or other programming.

Representation (5%)

- Represent UNCDF at international meetings and conferences.
- Network with funders and practitioners and ensure global meetings are effective opportunities to build knowledge partnerships.

IV. Impact of Results

- Un- and under-banked low-income populations receive financial services, particularly savings, in a responsible manner.
- Substantive partnerships strengthened with leading Financial Service Providers and Technical Service Providers to expand their savings-led methodologies globally.
- UNCDF FIPA Regional and Country Technical Advisors/Managers supported to facilitate programme implementation and more inclusive financial sectors.
- Planned programme outputs and outcomes are fully achieved in a timely manner, consistent with the expectations of private sector actors, and optimal output quality assured, through sound and efficient internal business, quality assurance, monitoring and evaluation and reporting processes.
- Profile of UNCDF and its development partners as leaders in financial inclusion strengthened.
- Substantive partnerships strengthened with leading private sector foundations and development partners.

V. Competencies

Functional Competencies

<u>Advocacy/Advancing A Policy-Oriented Agenda</u>

Influencing the public policy agenda

- ❑ Builds consensus concerning UNCDF's strategic agenda with partners on joint initiatives
- ❑ Dialogues with national counterparts and other stakeholders to strengthen advocacy efforts, incorporating country, regional and global perspectives

<u>Results-Based Programme Development and Management</u>

Achieving results through programme design and innovative resourcing strategies

- ❑ Identifies country needs and strategies using a fact-based approach
- ❑ Makes use of a variety of resources within UNCDF to achieve results, such as cross-functional teams, secondments and developmental assignments, and collaborative funding approaches
- ❑ Ensures the full implementation of country programme and financial resources to obtain results

<u>Building Strategic Partnerships</u>

Building strategic alliances

- ❑ Makes effective use of UNCDF's resources and comparative advantage to strengthen partnerships
- ❑ Creates networks and promotes initiatives with partner organizations

<u>Innovation and Marketing New Approaches</u>

Fostering innovation in others

- ❑ Creates an environment that fosters innovation and innovative thinking
- ❑ Conceptualizes more effective approaches to programme development and implementation and to mobilizing and using resources

<u>Promoting Organizational Learning and Knowledge Sharing</u>

Participating in the development of policies and innovative approaches and promoting their application throughout the organization

- ❑ Promotes UNCDF as a learning/knowledge sharing organization

<u>Job Knowledge/Technical Expertise</u>

Expert knowledge of own discipline (to financial inclusion)

- ❑ Possesses expert knowledge of advanced concepts in to financial inclusion, a broad knowledge of related disciplines, as well as an in-depth knowledge of relevant organizational policies and procedures

- Applies a broad knowledge of best management practices; defines objectives and work flows, positions reporting relationships in such a way as to obtain optimum effectiveness for the unit/branch
- Keeps abreast of new developments in area of to financial inclusion and job knowledge and seeks to develop him/herself personally
- Demonstrates comprehensive knowledge of information technology and applies it in work assignments
- Demonstrates expert knowledge of the current programme guidelines and project management tools and manages the use of these regularly in work assignments

Global Leadership and Advocacy for UNCDF's Goals

Influencing global and national initiatives

- Advocates for increased priority given to human development issues internationally and in national planning frameworks
- Advocates for increased resources at international and national level

Client Orientation

Meeting long-term client needs

- Anticipates constraints in the delivery of services and identifies solutions or alternatives
- Proactively identifies, develops and discusses solutions for internal and external clients, and persuades management to undertake new projects or services
- Advises and develops strategic and operational solutions with clients that add value to UNDP programmes and operations

Core Competencies:

- Promoting ethics and integrity, creating organizational precedents
- Building support and political acumen
- Building staff competence, creating an environment of creativity and innovation
- Building and promoting effective teams
- Creating and promoting enabling environment for open communication
- Creating an emotionally intelligent organization
- Leveraging conflict in the interests of UNDP & setting standards
- Sharing knowledge across the organization and building a culture of knowledge sharing and learning
- Fair and transparent decision making; calculated risk-taking

VI. Recruitment Qualifications

Education:	Advanced university degree in economics, finance, business or public administration or related fields.

Experience:	• A minimum of 10 years experience in microfinance, inclusive finance, or related fields of finance, development, research, advocacy, and policy development. • Deep technical knowledge and experience in (Micro) finance good practices for industry building, and development of inclusive financial markets and products in emerging markets, especially through private sector partnerships. • Strong networking capabilities and ability to associate him/herself with a range of actors (including policy makers, regulators, FSPs and donors) with a view to building relations and facilitating links. • Resource mobilization experience and record of success in reporting to and managing donor grants and reporting mechanisms. • Strong programme management experience with emphasis on monitoring, evaluation and incorporating lessons learned into microfinance projects and programmes. • Experiences with similar assignments in developing countries, including LDCs. • Experience with UNCDF programme management and financial management rules and procedures, desirable. • Excellent presentation skills.
Languages:	Strong English written and spoken. Proficiency in French or Spanish desirable
VII. Signatures- Post Description Certification	
Incumbent (if applicable) Name Signature Date	
Supervisor: Henri Dommel, FIPA Director, UNCDF Name / Title Signature Date	
Chief Division/Section ______________, Operations Advisor UNCDF Name / Title Signature Date	

UNITED NATIONS CAPITAL DEVELOPMENT FUND
JOB DESCRIPTION

I. Post Information	
Job Title: Programme Specialist (Fund for Savings-Led Market Leaders, "MicroLead") Post Number: New Organizational Unit: UNCDF Johannesburg Supervisor / Grade: UNCDF Senior Regional Advisor Inclusive Finance (Johannesburg) Supervisor Grade: P-5 Post Status: Non-rotational Source of Funding: Development Funded Project	Current Grade: N/A Proposed Grade: P-4 (ICS-11) Approved Grade: Post Classified by: Classification Approved by:

II. Organizational Context

UNCDF is the UN's capital investment agency for the world's least developed countries. It creates new opportunities for poor people and their communities by increasing access to microfinance and investment capital. UNCDF focuses on Africa and the poorest countries of Asia, with a special commitment to countries emerging from conflict or crisis. It provides seed capital – grants and loans – and technical support to help microfinance institutions reach more poor households and small businesses, and local governments finance the capital investments – water systems, feeder roads, schools, irrigation schemes – that will improve poor peoples' lives.

UNCDF works to enlarge peoples' choices: it believes that poor people and communities should take decisions about their own development. Its programmes help to empower women – over 50% of the clients of UNCDF-supported microfinance institutions are women – and its expertise in microfinance and local development is shaping new responses to food insecurity, climate change and other challenges. All UNCDF support is provided via national systems, in accordance with the Paris principles. UNCDF works in challenging environments – remote rural areas, countries emerging from conflict – and paves the way for others to follow. Its programmes are designed to catalyze larger investment flows from the private sector, development partners and national governments, for significant impact on the Millennium Development Goals, especially Goal 1: *Eradicate Extreme Poverty and Hunger*, Goal 3: *Promote Gender Equality and Empower Women*, and Goal 7: *Ensure Environmental Sustainability.*

Established by the General Assembly in 1966 and with headquarters in New York, UNCDF is an autonomous UN organization affiliated with UNDP.

Despite the rapid growth of the microfinance industry in the past ten years, it is estimated that between two and three billion people still lack access to a broad range of financial products and services on a sustainable basis. The situation is particularly dire in the LDCs, where often more than 90 per cent of the population is denied access to financial services from the formal financial system. UNCDF focuses its strategy on Financial inclusion, which is universal access, at a reasonable cost, to a wide range of financial services, provided by a variety of sound and sustainable institutions. The range of financial services includes savings, short and long-term credit, leasing and factoring, mortgages, insurance, pensions, payments, local money transfers and international remittances.

Recognizing (i) the importance of 'market leaders' to drive sector development and (ii) the demand for safe, convenient savings products by low income populations, in 2008 UNCDF launched, with the support of the Bill & Melinda Gates Foundation, the LDC Fund to Develop Savings-led Market Leaders (see programme document http://www.uncdf.org/english/microfinance/uploads/project/2008-10-27_21%20October_08_Savings_Led_Market_Leaders_LDC_FIF.pdf). Based on proven business models, market leaders can rapidly scale-up their own operations offering a variety of products and services while accelerating the pace of sector development. The Fund provides loans and grants to leading financial service providers (FSPs) on a competitive basis to facilitate their entry into LDCs, including in post-conflict contexts, where access to finance is most limited. The Fund has provided support to some of the leading FSPs from the South to expand their operations through green-fielding or technical assistance provision to existing FSPs, with a focus on saving-based models.

With the progress to date of the Fund, UNCDF is launching an expansion of the programme in 2011 with the support of The MasterCard Foundation. The programme expansion will continue with the savings-led focus and will encompass both LDCs and non-LDCs. Based in Johannesburg, the Programme Specialist will report to the UNCDF Senior Regional Advisor Inclusive Finance, Southern and East Africa Regional Office. In addition, the Programme Specialist will report in a matrixed arrangement to the Programme Advisor (NY-based) on technical programmatic matters related to the management of the full programme, named MicroLead, which encompasses both the existing LDC-focused south-south cooperation programme in addition to The MasterCard Foundation-supported programme and any future funding secured for MicroLead, including expected MicroLead Client Impact Evaluation funding. Performance reviews of the Programme Specialist will be conducted jointly by the Senior Regional Advisor Inclusive Finance, Regional Office, and the MicroLead Program Advisor. The Programme Specialist will support the launch and expansion of MicroLead, helping to take it from an LDC-only focus to a broader global financial inclusion focus. S/he will also support the management, monitoring and evaluation of existing commitments under the LDC-focused programme.

III. Functions / Key Results Expected

The key result expected is the successful implementation and attainment of targets of the MicroLead savings-led programme, including coordination with/reporting to all stakeholders, FIPA internal team and the funders of the programme. The Programme Specialist will support the Programme Advisor to pursue the following key results of the programme:

1. Sustainable FSPs (Greenfield/TA) providing access to affordable, demand-driven, responsibly-delivered, savings-focused financial and non-financial products and services to low income people in underserved areas;
2. Knowledge generated and disseminated among FSPs, TSPs, policy makers, donors and other stakeholders related to savings mobilization, Greenfield operations and technical assistance provision; and,
3. An efficiently-managed and evaluated programme with top talent and expertise meeting or

exceeding all targets.

Key Functions:

Programmatic Quality Assurance & Portfolio Management (65%)

- Support the Programme Advisor in management of the delivery of programme purpose and outputs on time and to budget.
- Help prepare annual plans and budgets.
- Support the management of the request for application (RFA) processes and selection of grantees, including managing consultants hired to review applications, undertaking due diligence missions, and ensuring applicants meet minimum eligibility criteria.
- Support preparation of recommendations to FIPA Investment Committee (IC) for award of grants and/or loans to successful RFA applicants.
- Support Programme Advisor on FIPA IC presentations summarizing applicants, scoring, and recommend conditions for funding. Communicate results to applicants.
- Support preparation, negotiation and finalization of performance-based agreements (PBAs) with successful RFA applicants.
- Support process of obtaining government endorsement of (i) programme document and (ii) individual FSP/TSP awards. Provide support to FIPA's network of Regional and Country Technical Advisors to support their efforts in obtaining government endorsements and informing local ICs of MicroLead programming.
- Support the preparation of quarterly, mid-year and annual progress reports (APRs), as required by funders and/or UNCDF. Ensure financial and performance reports are issued to development partners on time as per Cost-Sharing Agreement requirements.
- Ensure vendor profiles are entered into ATLAS for selected FSPs/TSPs and payments effected in timely manner.
- Support Regional Technical Advisors/Managers to ensure FSPs'/TSPs' smooth introduction to key local actors, start-up and constraints removed.
- Assure, track and analyze quarterly portfolio reporting.
- Report project achievements, delivery and other areas of accountability to FIPA for input to regular UNCDF performance monitoring and reporting.
- Monitor FSP/TSP progress toward disbursement conditions, results, and targets. Provide technical assistance to FSPs/TSPs as needed. Recommend actions to be taken if FSP/TSP targets not achieved including suspension/termination/extension of PBAs and/or loan agreements, as necessary. Develop monitoring tool to ensure consistency in monitoring.
- Effective and efficient use of ATLAS in line with project cycle with Atlas approval authority at Level 2 and in compliance with UNCDF Internal Control Framework.

Knowledge Management (30%)

- Support MicroLead programme knowledge generation and dissemination, including case studies, briefs, research documents, client impact evaluations, and mid-term and final evaluations. Draft TORs, manage consultants.
- Manage process of convening national and regional stakeholders to share lessons learned.
- Contribute to knowledge-sharing networks on microfinance and inclusive finance initiatives regionally and globally either by direct participation or via Teamworks by flagging important discussions to FIPA's global practice community.
- Collaborate with key partners and microfinance practitioners for research and development of innovative, cutting-edge strategies and approaches to sharpen delivery of microfinance

products and services in order to better achieve programme objectives.

- Participation and contributions to UNDP sub-practice in microfinance and small/medium enterprises for knowledge management and cross-country learning.
- Ensure key documentation is available on the UNCDF Intranet to facilitate UNCDF staff access to programme information.
- Develop and provide annual Learning Plan to FIPA KM Specialist and attend approved trainings; share debriefing and value of training with the wider Practice community through Teamworks.
- Become familiar with UNCDF KM Strategy and other relevant resources (KM Strategy, HR Strategy, Learning Strategy, UNCDF Document Management Policy).
- Develop an online presence by creating and updating a bio page on Teamworks.

Corporate Support and Resource Mobilization (5%)

- Support annual and cumulative UNCDF results analyses and substantive inputs into Unit work plan and UNCDF and FIPA Business Plans.
- Support the development of UNCDF programme and business strategies and to annual reviews; contribute to quarterly global teleconferences.
- Provide advice to UNCDF senior management on technical issues and business development opportunities, including inputs into corporate presentations and reports; share perspectives through Teamworks to increase outreach and foster innovation.
- Support efforts of UNCDF to mobilize additional resources for MicroLead and/or other programming.

IV. Impact of Results

- Un- and under-banked low-income populations receive financial services, particularly savings, in a responsible manner.
- Substantive partnerships strengthened with leading Financial Service Providers and Technical Service Providers to expand their savings-led methodologies globally.
- UNCDF FIPA Regional and Country Technical Advisors/Managers supported to facilitate programme implementation and more inclusive financial sectors.
- Planned programme outputs and outcomes are fully achieved in a timely manner, consistent with the expectations of private sector actors, and optimal output quality assured, through sound and efficient internal business, quality assurance, monitoring and evaluation and reporting processes.
- Profile of UNCDF and its development partners as leaders in financial inclusion strengthened.

V. Competencies

Functional Competencies:

<u>Advocacy/Advancing a Policy-Oriented Agenda</u>

Analysis and creation of messages and strategies

- ❑ Contributes to the elaboration of advocacy strategies by identifying and prioritizing audiences and communication means
- ❑ Performs analysis of political situations and scenarios, and contributes to the formulation of institutional responses

Building Strategic Partnerships

Identifying and building partnerships

- ❑ Effectively networks with partners seizing opportunities to build strategic alliances relevant to UNDP's mandate and strategic agenda
- ❑ Sensitizes UN Partners, donors and other international organizations to the UNCDF's strategic agenda, identifying areas for joint efforts
- ❑ Develops positive ties with civil society to build/strengthen UNCDF's mandate
- ❑ Identifies needs and interventions for capacity building of counterparts, clients and potential partners
- ❑ Displays initiative, sets challenging outputs for him/herself and willingly accepts new work assignments

Promoting Organizational Learning and Knowledge Sharing

Developing tools and mechanisms

- ❑ Makes the case for innovative ideas documenting successes and building them into the design of new approaches
- ❑ Identifies new approaches and strategies that promote the use of tools and mechanisms
- ❑ Develops and/or participates in the development of tools and mechanisms, including identifying new approaches to promote individual and organizational learning and knowledge sharing using formal and informal methodologies

Job Knowledge/Technical Expertise

In-depth knowledge of the subject-matter

- ❑ Understands more advanced aspects of primary area of specialization as well as the fundamental concepts of related disciplines
- ❑ Serves as internal consultant in the area of expertise and shares knowledge with staff
- ❑ Continues to seeks new and improved methods and systems for accomplishing the work of the unit
- ❑ Keeps abreast of new developments in area of professional discipline and job knowledge and seeks to develop him/herself professionally
- ❑ Demonstrates comprehensive knowledge of information technology and applies it in work assignments
- ❑ Demonstrates comprehensive understanding and knowledge of the current guidelines and project management tools and utilizes these regularly in work assignments

Creating Visibility for UNCDF/Supporting UNCDF's Capacity to Advocate

Developing promotional projects and organizational messages

- Identifies and develops activities to enhance the visibility of UNCDF
- Develops promotional activities based on monitoring/evaluation information identifying areas requiring higher visibility
- Reviews documents and materials intended for use within and outside the organization in order to ensure consistency and validity of messages
- Creates and cultivates networks of partners to promote UNCDF's image
- Conducts assessments of activities to improve impact and effectiveness

Global Leadership and Advocacy for UNCDF's Goals

Analysis and creation of messages and strategies

- Performed analysis of political situations and scenarios, and contributes to the formulation of institutional responses
- Uses the opportunity to bring forward and disseminate materials for global advocacy work and adapts it for use at country level

Conceptual Innovation in the Provision of Technical Expertise

Developing innovative and creative approaches

- Leverages different experiences and expertise of team members to achieve better and more innovative outcomes
- Leverages multi disciplinary, institutional knowledge and experience of other countries and regions to promote UNCDF's development agenda
- Participates in dialogue about conceptual innovation at the country and regional levels

Client Orientation

Contributing to positive outcomes for the client

- Anticipates client needs
- Works towards creating an enabling environment for a smooth relationship between the clients and service provider
- Demonstrates understanding of client's perspective

Core Competencies:

- Promoting ethics and integrity, creating organizational precedents
- Building support and political acumen
- Building staff competence, creating an environment of creativity and innovation
- Building and promoting effective teams
- Creating and promoting enabling environment for open communication
- Creating an emotionally intelligent organization
- Leveraging conflict in the interests of UNCDF & setting standards
- Sharing knowledge across the organization and building a culture of knowledge sharing and

learning. **Promoting learning and knowledge management/sharing are the responsibility of each staff member.**

- Fair and transparent decision making; calculated risk-taking

VI. Qualifications

Education:	Master's Degree in Economics, finance, business or public administration or related field
Experience:	• 7 years of relevant experience at the national or international level. Extensive experience in microfinance, inclusive finance, or related fields of finance, development, research. • Deep technical knowledge and experience in (Micro) finance good practices for industry building, and development of inclusive financial markets and products in emerging markets, especially through private sector partnerships. • Strong networking capabilities and ability to associate him/herself with a range of actors (including policy makers, regulators, FSPs and donors) with a view to building relations and facilitating links. • Strong programme management experience with emphasis on monitoring, evaluation and incorporating lessons learned into microfinance projects and programmes. • Experiences with similar assignments in developing countries, including LDCs and Africa. • Excellent presentation skills.
Language Requirements:	Fluency in English and French is required.

VII. Signatures- Post Description Certification

Incumbent (if applicable)

Name Signature Date

Supervisor:

________________, UNCDF Senior Regional Advisor Inclusive Finance, Southern and East Africa Regional Office (Johannesburg)

Name / Title Signature Date

Chief Division/Section:

_____________, Operations Advisor UNCDF

Name / Title Signature Date

Annex R

Note: Please click on + in row above (ungroup) to display indicators
Note: This page is protected and formulas are locked. Any indicator that looks inaccurate should be corrected by checking input page.

Output Information		2011				2010
From:		**Quarterly Indicators**				**Annual**
Standard code	**Name of Indicator**	**Q4**	**Q3**	**Q2**	**Q1**	**Year Ended**
		31-Dec	30-Sep	30-Jun	31-Mar	31-Dec
Outreach						
O1	Number of Active Borrowers	0	0	0	0	0
O2	Number of Voluntary Depositors	0	0	0	0	0
O3	Value of Loans Outstanding	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
O4	Voluntary Savings	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
O5	Total Savings	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
O6	Percent Women Active Borrowers	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
O7	Percent of Women Voluntary Depositors	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Client Poverty Level						
CPL1	Average Outstanding Loan Balance per Borrower	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
CPL2	Average Outstanding Savings Balance per Saver	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
CPL3	Average Loan Balance per Borrower/ GNI per Capita	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
CPL4	Average Savings Balance per Saver/ GNI per capita	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Collection Performance						
CP1	Portfolio at Risk (PAR) Ratio > 30 days	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Sustainability						
S1	Operational Self-Sufficiency (OSS) (annualized)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Efficiency						
E1	Operating Expense Ratio (annualized)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
E2	Cost per Active Client (annualized)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Overall Financial Performance						
OFP1	Adjusted Return on Assets (AROA)	Only Need Last Fiscal Annual Indicator				0.0%
Targets						
	Target Indicators	**2010**	**2011**	**2012**	**2013**	**2014**
T1	Number of Active Borrowers	0	0	0	0	0
T2	Number of Voluntary Depositors	0	0	0	0	0
T3	Portfolio At Risk	0%	0%	0%	0%	0%
T4	Operational Self-Sufficiency (annualized)	0%	0%	0%	0%	0%
T5	Cost Per Active Client	0	0	0	0	0

ANNEX S1 - EVALUATION MATRIX

EVALUATION QUESTION No. 1: DESIGN & RELEVANCE		To what extent is the programme well designed and meets UNCDF's IF intervention logic and the needs of the partner country?		
Sub-questions		Indicators	Data Collection Methods	Information Sources
1.1	To what extent does the programme meet the needs of the partner country?	▪ Consistency between the goals, intervention logic and principles of the programme and those of the recipient country's relevant national strategy document ▪ Degree of embedment of programme into existing national framework / no evidence of a parallel programme structure ▪ Degree to which programme addresses gaps not filled by others	▪ Document analysis ▪ Interviews	• National Government, Policy documents, , other strategy document
1.2	How does the programme design correspond to UNCDF's IF intervention logic?	▪ Consistency between programme design and UNCDF's standard IF programme ▪ Degree to which UNCDF intervention provides additionality to sector development ▪ Degree to which intervention logic employs UNCDF's competitive advantage (i.e., catalytic capital)	▪ Document analysis ▪ Interviews	▪ UNCDF documents and guidelines ▪ UNCDF staff and government officials, and representatives of other UN agencies ▪ Other partner donors
1.3	How well is the programme integrated into the Country Programme Action Plan (CPAP) and UN Development Assistance Framework (UNDAF)?	▪ Degree of explicit/implicit integration of UNCDF's development-related projects within CCA/UNDAF	▪ Document analysis ▪ Interviews	▪ UNCDF documents and guidelines ▪ UNCDF staff and government officials, and representatives of other UN agencies
1.4	To what extent is the programme aligned with government financial sector development plans?	▪ Degree of consistency between the programme's interventions and national legislation and strategy for financial inclusion ▪ Programme design has taken into account sector's development/ absorption capacity and context	▪ Document analysis ▪ Interviews	▪ Financial Sector law and regulations ▪ Superintendency of Banks and or Central Bank ▪ Ministry of Finance/Planning ▪ IF sector associations & institutions ▪ Donors
1.5	To what extent is the programme owned (buy-in) by the government and/or Central Bank and/or Bank Superintendence?	▪ Degree of involvement of the government and/or Central Bank and/or Bank Superintendence in programme design, and implementation. ▪ Level of HR and Institutional Capacity	▪ Interviews ▪ Document analysis	▪ PSU ▪ Financial Service Provider (FSP) and Sector Service Organization (SSO)

EVALUATION QUESTION No. 1: DESIGN & RELEVANCE		**To what extent is the programme well designed and meets UNCDF's IF intervention logic and the needs of the partner country?**		
Sub-questions		**Indicators**	**Data Collection Methods**	**Information Sources**
1.6	To what extent does the programme meet the needs of the finance sector (e.g., fill gaps and overcome constraints for growth given the national/market context)?	▪ Micro level – FSP & client level needs ▪ Meso level – inclusive financial sector infrastructure needs (e.g., credit bureaus, sector associations, etc.) ▪ Macro level – national regulatory, policy and program level.	▪ Document analysis ▪ Interviews	▪ National financial Law and regulations ▪ Ministry Finance (or responsible ministry) ▪ Superintendency of Banks and or Central Bank ▪ IF sector associations & institutions ▪ Donors
1.7	To what extent is the programme owned (buy-in) at FSP/SSO level (e.g., sector associations, credit bureaus, information providers, consultancies etc.)?	▪ Degree of participation of appropriate FSPs/ SSOs	▪ Interviews ▪ Document analysis	▪ PSU ▪ FSPs/SSOs
1.8	How well has the programme integrated cross cutting issues given programme objectives?	▪ Evidence that the programme design address the issues of participation of institutions and promotion of gender ▪ Evidence that the programme design makes consideration of environment themes	▪ Document analysis ▪ Interviews	▪ Relevant beneficiary FSPs, and government institutions
1.9	To what extent was a phasing out strategy incorporated in programme design?	▪ Number of indicators in the original logical framework ▪ FSPs/SSOs were involved upstream in the drawing up of UNCDF's programme, its implementation and its evaluation ▪ Identification of organizations required to continue sector building work after end of programme (if deemed required)	▪ Document analysis ▪ Interviews	▪

EVALUATION QUESTION No. 2: **POLICY AND STRATEGY**		**To what extent were piloted approaches conducive to IF regulatory/policy/strategy developments?**		
Sub-questions		**Indicators**	**Data Collection Methods**	**Information Sources**
2.1	Are the project's results known and **influential** among key IF sector stakeholders in the country?	▪ FSPs/SSO organizations opinion ▪ Citations in new standards and guidelines for FSP/SSO management among sample FSPs ▪ Question key stakeholder or decision-makers in the field of IF	▪ Interviews ▪ Document analysis	▪ Central Government ▪ Main donors
2.2	Did programme induce policy improvements in the inclusive finance sector? (if relevant/applicable)	▪ Awareness/appreciation of national decision-makers and other key stakeholders ▪ Sectoral reforms initiated/completed ▪ New IF sector appropriate regulations enacted ▪ IF sector appropriate norms and procedures applied Existence of new/addition to existing low-income financial regulatory regime ▪ Quality of low-income regulatory change	▪ Document analysis ▪ Interviews	▪ PSU ▪ SSOs/FSPs ▪ National government, policy documents ▪ Ministry of Ministry of Finance, other relevant ministries and departments ▪ Policy/legal documents ▪ IF regulatory research documents (e.g., from Microfinance Gate Way, etc.)
2.3	To what extent did policy improvements lead to growth or sustainability of the sector?	▪ Clear and efficient regulations ▪ Clear and applicable enforcing mechanisms and rules ▪ Complementary initiatives, i.e. appropriate low-income economic support programmes	▪ Document analysis ▪ Interviews	▪ National government representatives (e.g., Ministry of Economic Development, Ministry of Agriculture etc.) ▪ Policy /legal documents, manuals/regulations ▪ Donors and partners representatives ▪ Key sector stakeholders (e.g., academics, investors etc.) ▪ FSPs/SSOs
2.4	Did programs foster governments' commitment towards pursuing the MDGs?	• National strategies/strategic partnerships. • Public commitments to IF as part of MDG strategies. • IF sector development linked to other government initiatives	▪ Document analysis ▪ Interviews	▪ Government strategic documents and plans ▪ Government officials ▪ Donors' representatives

EVALUATION QUESTION No. 3: CAPACITY BUILDING		**To what extent has the programme contributed to increased Financial Service Providers/Sector Support Organizations /Government Agencies (FSPs/SSOs/GAs) Institutional capacity?**[1]		
Sub-questions		**Indicators**	**Data Collection Methods**	**Information Sources**
3.1	Do implemented investments correspond to FSPs/SSOs priorities and needs?	▪ Degree of correspondence between FSP/SSO business (development) plan, budget and actual investments (TA and Capital)	▪ Business plan reviews ▪ Interviews	▪ Programme strategy documents ▪ Programme start up documents ▪ Programme reporting documents ▪ FSPs ▪ SSOs
3.2	To what extent has the programme contributed to increased institutional capacity at FSP/SSO governance level?	▪ Composition of Board Directors ▪ Governance manuals in place ▪ Training for Board of Directors	▪ Interviews ▪ Manuals	▪ Board and Management Interviews ▪ Governance Manuals
3.3	How well has the IF programme strengthened human resource management capacities of FSPs/ SSOs/Government Agencies (GAs)[2]	▪ Organisation chart ▪ Clear division of roles (human resources, well written job descriptions,) ▪ Human resource manuals / procedures / tools in place and their quality ▪ Decision-making processes and procedures established and accepted ▪ Regularity of report-back meetings ▪ Regularity and quality of written reports ▪ CGAP Appraisal and /or CAMEL management indicators	▪ CGAP Appraisal (light version of sample FSPs/SSOs institutions) ▪ Analysis of FSP data collected by project ▪ Interviews ▪ Analysis of PSU records	▪ Organisation charts, manuals, procedures ▪ Reports to Board of Directors ▪ Strategic planning documents ▪ Management progress reports (monthly, quarterly, annual) ▪ Records from PMU
3.4	To what extent has the programme contributed to the strengthening of the financial capacity at FSPs/SSOs?	▪ Capital adequacy & liquidity ratios ▪ Diversification of funding sources ▪ Cost of capital ▪ Financial management capacity (e.g., number of dedicated financial management personal etc)	▪ CGAP Appraisal (light version of sample FSPs institutions) ▪ Analysis of FSP/SSO data collected by project ▪ Analysis of SSO financial strength ▪ Interviews of staff	▪ FSP/SSO financial data (audited/unaudited) ▪ PSM collected FSP/SSO data ▪ Government collected FSP/SSO data (if available)
3.5	To what extent are the FSPs providing appropriate opportunities to women?	▪ Women in Senior Management Positions, including Board ▪ Percent Women of FSP staff	▪ Interviews ▪ Document analysis	▪ FSP/SSO Board and Management ▪ FSP indicators on women clients

[1] For this section, some questions and sub questions apply only to FSPs, while others to SSOs and government agencies (GAs) and are marked as such. Not all programs will have significant GA or SSO activities.

[2] Sector Support Organizations are those found at the meso level or between financial institutions and national financial regulators. They provide invaluable infrastructure for the viable functioning of a sound financial sector, generally, and an inclusive financial sector, specifically. Example SSOs include credit bureaus, microfinance sector associations, consumer finance education organizations, consumer finance protection organizations, tax and legal firms specializing or with specialization in inclusive finance, information technology firms, consultants, etc.

EVALUATION QUESTION No. 3: CAPACITY BUILDING		To what extent has the programme contributed to increased Financial Service Providers/Sector Support Organizations /Government Agencies (FSPs/SSOs/GAs) Institutional capacity?[1]		
Sub-questions		**Indicators**	**Data Collection Methods**	**Information Sources**
3.6	To what extent are FSPs/SSOs aware of existing environmental finance regulations (if any), environmental risks to portfolio and/or significant environmental impacts due to financing activities?	▪ Degree to which environmental factors apply ▪ Policies in place ▪ Performance M&E indicators in place at SSO/FSPs	▪ Interviews ▪ Documents	▪ FSP/SSO records ▪ Board and Management Interviews ▪ GA records and interviews

EVALUATION QUESTION No. 4 DELIVERY		To what extent has the programme contributed to improvement of access to appropriate low-income person's financial services and enhanced the market for IF services		
Sub-questions		**Indicators**	**Data Collection Methods**	**Information Sources**
4.1	To what extent do services meet the needs of low-income clients?	▪ Increase in number of low-income clients (the demand for services) ▪ Product design appropriate to the needs of the poor • Low balance/credit limits • Terms & conditions conducive to income cycles? • Clear & transparent pricing • Geographically accessible ▪ SSO service offering, usefulness, quality to supporting FSPs	• Interviews • Document/data analysis	▪ Quarterly Outreach and Performance Reports ▪ FSP/SSO interviews, ▪ FSP/SSO product and client data (sample FSP/SSOs service offerings) ▪ PSU data ▪ Client interviews ▪ Government data
4.2	To what extent has FSPs product and service offering improved?	• Existence of new FSP products and services • Improvements in FSP products and services • Improved access by women/minorities to FSP products and services (is design appropriate for needs) • SSO service offering's usefulness / quality to support the Inclusive Finance Sector	• Interviews • Document analysis	▪ PSU data ▪ Quarterly Outreach and Performance Reports ▪ FSP/SSO product and client data (sample FSP/SSOs service offerings) ▪ FSP/SSO interviews
4.2	To what extent are the financial needs of gender being enhanced?	▪ Women as a percentage of active clients ▪ Products appropriate for women	▪ Interviews ▪ FSP documents	▪ FSP/Board and Management ▪ FSP indicators on women
4.3	Are new market areas being served?	▪ Extent to which current markets are being served (i.e., market penetration rates) ▪ Growth of outreach / (increase in the number of new poor markets (urban and rural) being developed ▪ Size of overall market being targeted and extent to which the programme is meeting its penetration targets?	▪ Market penetration estimates ▪ Sample FSP service offerings on geographic basis (i.e., specific areas covered, number of clients by product type)	▪ FSP/SSO interviews ▪ FSP/SSO product and client data ▪ PSU data ▪ Government data ▪ Sector data (CGAP, MIX, etc)

EVALUATION QUESTION No. 4 DELIVERY		To what extent has the programme contributed to improvement of access to appropriate low-income person's financial services and enhanced the market for IF services		
Sub-questions		Indicators	Data Collection Methods	Information Sources
4.4	Is there greater competition for the low-income market?	▪ Number of FSPs in low-income markets. ▪ Variety of competing products ▪ Variety of markets serviced by multiple FSPs (market overlap)	▪ Number of FSPs ▪ Number of FSP branches by relevant geographic areas ▪ Number of products offered	▪ PSU data ▪ Sample of FSPs ▪ Government
4.5	Are sector SSOs providers being established / supported (e.g. FSP auditors, credit bureaus, FSP associations etc. – if applicable)?	▪ Number of SSOs supported ▪ Mechanisms of support	▪ Data analysis. ▪ Programme reports ▪ Interviews	▪ PSU data ▪ Government ▪ Sample SSOs
4.6	Do SSOs meet the needs of FSPs?	▪ Quality of products & services provided	▪ Interviews ▪ Product/service quality assessments	▪ SSOs ▪ PSU ▪ FSPs ▪ Regulators

EVALUATION QUESTION No. 5: SUSTAINABILITY		To what extent is the programme likely to result in inclusive financial sector sustainability?		
Sub-questions		Indicators	Data Collection Methods	Information Sources
5.1	**To what extent are FSPs/SSOs financially viable (i.e., sustainable) FSPs/SSOs in the longer-term, independent of external assistance?**			
5.1.1	Is there evidence that FSPs/ SSOs maintain **financially viable** operations after completion of the intervention (or improving trends towards financial viability)?	▪ Market outlook and projections ▪ Number of operationally self sufficient FSPs ▪ Number of financially self sufficient FSPs ▪ FSP access to diverse capital sources, including mobilizing domestic savings	▪ Assess FSP/SSO reports (annual and internal quarterly/monthly) ▪ Assess business plans ▪ Assess reports to bank regulator (if applicable) ▪ Assess benchmark information on MixMarket	▪ PSU data ▪ Sample FSP/SSOs data ▪ Government ▪ MixMarket data base
5.1.2	To what extent has the programme improved long-term planning, management, and governance processes at FSP/SSO level?	▪ CGAP Appraisal and /or CAMEL management indicators ▪ Governance improvements (see 2.1.5 above)	▪ Management interviews ▪ Planning method reviews (e.g., business plans/pro forma projections)	▪ Sample FSP/SSOs ▪ PSU data
5.2	**To what extent is phasing out of sector support incorporated in programme annual work plans?**			

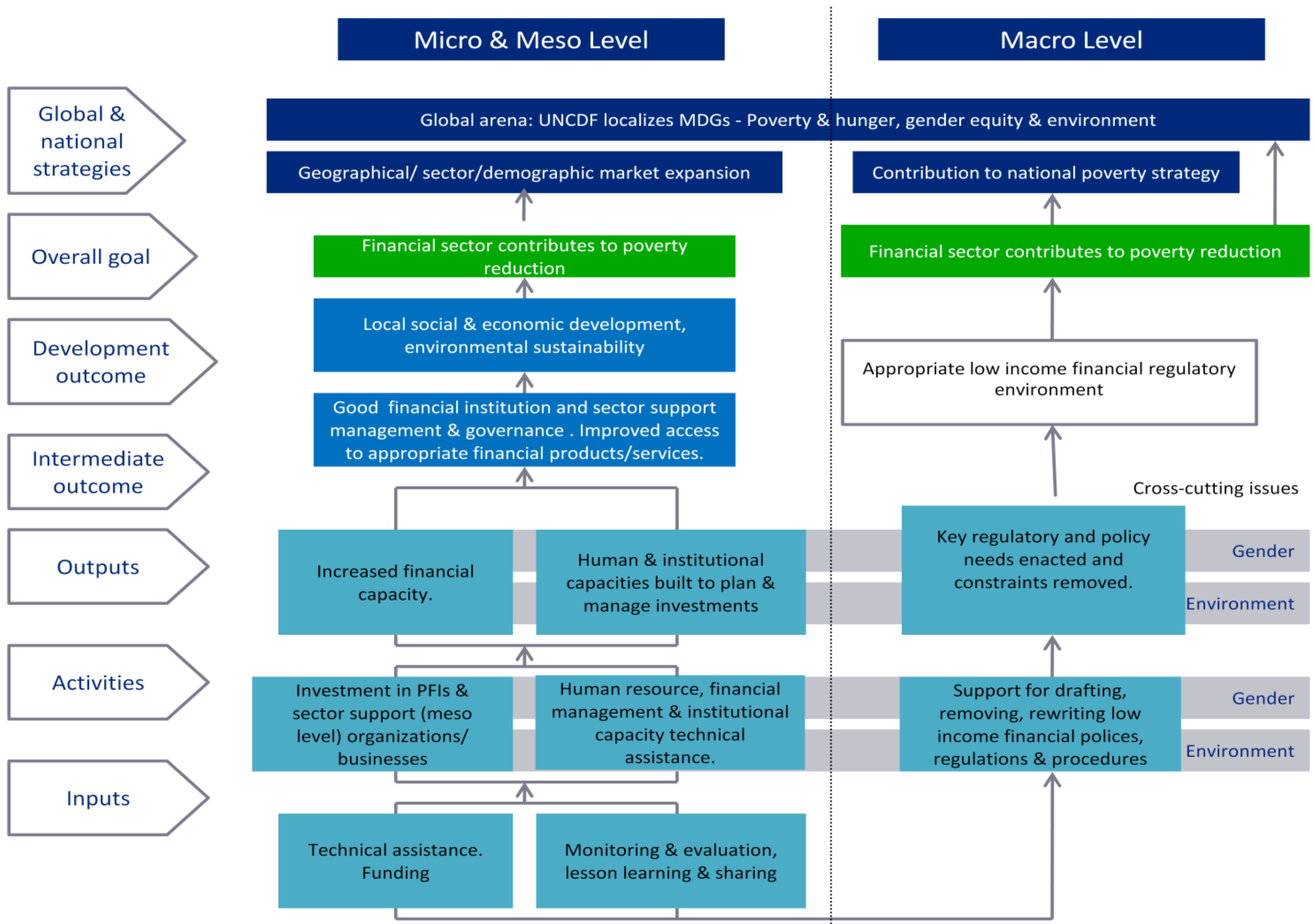
EVALUATION QUESTION No. 5: SUSTAINABILITY		To what extent is the programme likely to result in inclusive financial sector sustainability?		
Sub-questions		Indicators	Data Collection Methods	Information Sources
5.2.1	Was **sustainability incorporated** in the programme strategic/annual work plan process?	▪ Number of indicators in the annual work plans and contracts ▪ Work plans approved by governance body ▪ FSPs/SSOs were involved upstream in the drawing up of UNCDF's programme, its implementation and its evaluation ▪ PSU arrangements to steer FSPs/SS0s towards sustainability	▪ Assessments of planning documents ▪ Analysis of FSP/SSO business plans and reports ▪ Management & PSU interviews ▪ Projected indicators	▪ Management and PSU interviews ▪ FSP/SSO business plans and reports ▪ Project management and governance documents
5.2.2	Does the intervention design articulate a clear and workable exit strategy for UNCDF?	▪ Mechanisms in place to replace UNCDF ▪ Identification of sector building organizations able to build upon programme work once program is over.	▪ Analysis of FSP/SSO business plans and reports ▪ Management & PSU interviews ▪ Projected indicators	▪ Management and PSU interviews ▪ Sector Associations ▪ FSPs

EVALUATION QUESTION No. 6: PROGRAMME MANAGEMENT		How effective has management of the IF programme been?		
Sub-questions		Indicators	Data Collection Methods	Information Sources
6.1	How effectively have programme managers delivered on the annual work plans?	▪ Achievements against targets	▪ Document analysis ▪ Interviews	▪ Programme reports, ▪ Work plans ▪ PSU staff
6.2	How well are IF sector interests embedded in government institutions (if applicable)	▪ Management arrangements, appointments/secondments	▪ Documentary ▪ Direct and indirect project stakeholder Interviews	▪ Programme reports, interviews ▪ Central Bank ▪ Bank Supervisor ▪ Governments ▪ PSU ▪ FSPs ▪ SSOs ▪ Other sector stakeholders
6.3	How well has programme helped align objectives of government departments/ ministries, Central Banks and/or Superintendencies?	▪ Complementary IF policies ▪ Complementary IF projects	▪ Government Documents ▪ Interviews	▪ Government ▪ PSU ▪ Sector Association ▪ FSPs ▪ SSOs
6.4	How effectively have program managers managed the interests of all partners (if joint programme is applicable)	▪ Workload sharing proportional to investment ▪ Clear roles defined and maintained ▪ Efficient joint management and decision making ▪ Satisfactory execution of responsibilities ▪ Satisfactory institutional recognition	▪ Program documents ▪ Interviews with programme stakeholders	▪ Program documents and reports ▪ UNCDF government and other relevant donors' staff ▪ Donors' programs documents and reports ▪ FSPs and SSOs and PSU.
6.5	How effectively have funds from the programme been transferred to FSPs and SSOs?	▪ Timely and transparent information on available funds ▪ Timely disbursement ▪ Correspondence between information on funds, released and received amounts	▪ Track studies ▪ Interviews ▪ Document analysis	▪ UNCDF ▪ FSPs/SSOs
6.6	How effectively have technical assistance (TA) services been delivered to FSPs and SSOs?	▪ Timeliness of services ▪ Meeting needs of FSP business plans ▪ Quality of services ▪ Quality of the TSP if applicable	• PSU Document analysis • Interviews • TSP document analysis • Review of TA service contracts and CVs • Review of FSP and SSO business plans • Interviews with FSP.SSO, PSU	▪ FSP/SSO business plans ▪ Interviews with managers ▪ Interviews with PSU ▪ PSU service supplier contracts/CVs ▪ TA selection decision making process guidelines ▪ PSU project statistics

EVALUATION QUESTION No. 6: PROGRAMME MANAGEMENT		How effective has management of the IF programme been?		
Sub-questions		Indicators	Data Collection Methods	Information Sources
6.7	How effectively have capital and TA investments been managed by the responsible unit (e.g., PSU or third party contractor)?	▪ Detailed and transparent grant/loan application processes ▪ Implementation of projects on time (according to budget) ▪ Existence of investment implementation plan ▪ Detailed best practice due diligence guidelines ▪ Regular inspections of FSP/SSOs business plan progress	▪ Analysis of funding process ▪ Analysis of application process guidelines and records ▪ Analysis of due diligence processes, guidelines and records ▪ Analysis of funding documentation ▪ Analysis of funding monitoring ▪ Interviews with body responsible for funding, FSPs and SSOs	▪ PSU ▪ FSPs and SSOs
6.8	To what extent has the regional office ensured oversight and guidance functions? (if applicable)	▪ Number of visits ▪ Existence of clear mechanisms / instruments to share information and provide feedback ▪ Sharing of lessons learnt ▪ Responsiveness to requests for TA	▪ Document analysis ▪ Interviews	▪ Programme reports, ▪ PSU staff, Regional office staff
6.9	How well is monitoring and evaluation linked into the needs of the management?	▪ Up to date indicators of project progress, regular and informative reports	▪ Project Documents ▪ Project meeting records	▪ Data sources of M&E unit ▪ Project reports ▪ M&E staff and PSU staff
6.10	Is M&E data and reporting being used to make strategic decisions about service delivery and for purposes of drawing lessons from experience?	▪ Use of data from M&E to make strategic investment decisions ▪ Use of data from M&E to make technical assistance and capital investments. ▪ Use of data and reports to transmit lessons to local and national policy-makers	▪ Documents ▪ Interviews	▪ Data system used by PSU and by M&E unit ▪ M&E reports, interviews with M&E and PSU staff

EVALUATION QUESTION No. 7 PARTNERSHIP AND COORDINATION		How well have partnerships with donors and governments supported the programme?		
Sub-questions		Indicators	Data Collection Methods	Information Sources
7.1.	Has the partnership mobilized additional resources for program implementation / replication?	▪ Evidence of synergies with other programmes as a result of UNCDF's intervention / complementary efforts with relevant initiatives in the sector (related to specific geographic markets or nationally). ▪ Establishment of new donor/government/ private sector partnerships established with local market and/or national actors ▪ Leveraging of additional investment funds into the sector (Additional donors' resources ratio to UNCDF; Additional private sector investments in sector traceable to programme; Increased IF sector savings ▪ Up-scaling and replication (Increased client outreach - see measures above 3.7; Number of FSPs in new market areas; Number of FSP products being copied / replicated; Number of SSO copied / replicated)	▪ Document analysis ▪ Interviews ▪ Sample FSP/SSOs ▪ PSU data	▪ Programme documents and reports: PSU reports / Quarterly Outreach and Performance Reports ▪ ▪ UNCDF and other relevant donors' staff ▪ Donors' programme documents and reports ▪ FSPs and SSOs ▪ PSU ▪ Donors ▪ UNCDF / UNDP
7.2	Has the partnership favoured the harmonization of donor's interests?	▪ Evidence of coordination and partnership arrangements ▪ Pooled funding mechanisms ▪ Sectoral/thematic platforms ▪ Joint national/global initiatives ▪ Evidence of cross-fertilization among programmes	▪ Document analysis ▪ Interviews	▪ UNCDF and UNDP staff ▪ PSU ▪ Donors representatives ▪ Donors' programmes documents and reports ▪ Government officials
7.3	Has the partnership enhanced UNCDF positioning and catalytic function?	▪ Effective partnership with UNDP and other key actors in place [e.g. Awareness/appreciation by staff and key stakeholders; evidence/ recognition of value-adding synergies and joint implementation mechanisms] ▪ Effective advocacy mechanisms in place [e.g. degree of generation/diffusion of innovative knowledge; Effective strategic alliances at the corporate level in place] ▪ Degree of recognition of UNCDF's approach and role among partners [Standing of UNCDF within donors community/appreciation by key SH; Alignment/ involvement in implementation of national/ donors strategies/priorities; Opportunities for further engagement/ strategic partnership]	▪ Document analysis ▪ Interviews	▪ UNCDF and UNDP staff ▪ Other donors' /partners representatives ▪ Donors' programme documents and reports ▪ Governments officials

Annex S2 Logic Model for Inclusive Finance



ANNEX S3: UNCDF Standard on Evaluability

A. Introduction

The text below presents a **UNCDF Evaluability Standard** and accompanying **Checklist** for use by project designers, project managers and interested external stakeholders when considering a project's suitability for evaluation.

Evaluability is broadly defined as ensuring that 'there is clarity in the intent of the subject to be evaluated, sufficient measurable indicators, assessable reliable information sources and no major factor hindering an impartial evaluation process'.[1] In other words: that a project can be easily evaluated.

It is typically assessed at two points in the planning process: 1) at the early stages of project planning or implementation and/or 2) immediately prior to an evaluation being carried out.

Assessing the evaluability of a project during the **initial stages of the project cycle** verifies that projects have been designed with evaluation in mind, for example that they include in the official project document: 1) a clearly defined theory of change with accompanying performance indicators, 2) clear plans and budgets for data gathering to support monitoring and 3) clear plans and budgets for evaluation.

Assessing the evaluability of a project in the **period preceding a planned evaluation** performs broadly the same function though with a greater emphasis on ensuring that an evaluation still makes sense at this stage in implementation: that there is sufficient data for an evaluation, and that there is still demand for an evaluation and that political, economic and social factors still allow for an effective conduct and use of evaluation as envisaged.[2]

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[1] Norms for Evaluation in the UN System – 7.2

[2] See the whole of Norm 7 for more information: http://www.uneval.org/normsandstandards/index.jsp?doc_cat_source_id=4

In setting out clear guidelines for designing projects with evaluation in mind, the *Evaluability Standard* attempts to reinforce the **place of evaluation within the project cycle**, emphasising that attention to assessing development results should not be paid only in the periods preceding formal mid-term or final evaluations, but is an integral part of the whole project cycle. This starts with project design and formulation and continues through to the monitoring and evaluation of a project's development results both during, and at the end of, project implementation.

The **Evaluability Standard and Checklist** draw from existing best practice guides to project planning, monitoring and evaluation from both UNCDF and UNDP as well as broader norms and standards within the UN system. These include: the *UNCDF Operations Guide*, *UNDP's Handbook on Development Planning, Monitoring and Evaluating for Development Results*, broader UN norms and standards for evaluation as well as specific approaches to evaluability used by other agencies, for example UNIFEM's Guidance Note on Carrying Out an Evaluability Assessment.

B. The Evaluability Standard

The Standard is made up of three criteria:

Evaluability Criterion 1 – Project Design

Projects are designed with clear and measurable development results in mind, and on the basis of a clear analysis of the development problem to be tackled. This enables evaluators to assess project results against the standard UN evaluation criteria of: relevance, effectiveness, efficiency, impact and sustainability.

1.1 The development intervention clearly **defines the development problem** that it aims to address.

1.2 The project strategy clearly includes an expected **'theory of change',** making explicit the expected link between project activities, expected outputs, expected outcomes and likely impacts.[3] It clearly sets out who the beneficiaries of the project are, and which organisations will be involved in the project or which are expected to influence results.

1.3 The project strategy clearly states the **assumptions** on which the project strategy is based.

1.4 The project strategy clearly explains **how and by whom the intended project results will be sustained** once the project intervention comes to an end.

1.5 The project strategy states clearly how it will **contribute to UNCDF corporate objectives**, including cross-cutting results such as human rights and gender.[4]

Evaluability Criterion 2 – Arrangements for project monitoring

The project sets out a clear plan and budget for generating data to allow ongoing monitoring (and evaluation) of performance indicators

2.1 The project's Results and Resources Framework sets out **clear and measurable performance indicators** at each level of the RRF, including the corporate and cross-cutting indicators.

2.2 The project document includes a **clear and budgeted plan for generating data** to ensure monitoring and evaluation of development results. The monitoring plan clearly specifies how data is to be gathered, at what intervals and by whom.

2.3 The monitoring plan includes a budget and clear deadline by which **initial baseline data gathering should be carried out** against indicators at the output and outcome levels of the intervention logic. This information should function as a baseline for subsequent monitoring and evaluation of development results.

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[3] As per the UNDP Handbook on Planning, Monitoring and Evaluating for Development Results, definitions are as follows:

[4] For example, please see the draft *Handbook for Integrating Human Rights and Gender Equality in Evaluations* in the UN system for more information. UNEG/AGM2010/2c/i. In Section B – Preparing the Terms of Reference, it is stated that 'all evaluations should include an assessment of the human rights and gender equality dimensions of the intervention being assessed'.

Evaluability Criterion 3 – Arrangements for Project Evaluation

3.1 The project includes a **clear plan and budget for independent evaluations and reviews**, making clear when evaluations should be commissioned, who will be in charge of managing them, and who will be responsible for funding them between the various development partners.

3.2 Where possible, the evaluation plan will **involve national consultants and national authorities** in conformity with the UN's broader objective of supporting national evaluation capacity development in partner countries.

C. Evaluability Checklist

The table below sets out an **Evaluability Checklist** to be used by those responsible for assessing a project's evaluability during the UNCDF project approval process.

The Checklist accompanies the **UNCDF Standard on Evaluability** that sets out the key principles of designing projects with evaluation in mind.

The Checklist assesses the quality of a project's evaluability according to the three key criteria set out in the Standard: **project design, arrangements for project monitoring and arrangements for project evaluation.** These criteria are further broken down into eleven sub-questions as in the table below.

Evaluability Assessment of Project X in the Local Development Practice Area

Overall Assessment (short written summary)

[Example text]:

This is a much-improved project document that clearly sets out the development problem that the project is facing and the objectives and strategy for tackling it.

The results framework is of good quality and even if it does not extend very far in terms of expected higher-level results and accompanying indicators, this is acceptable for a project which is experimenting with a new approach for UNCDF in providing financial services to low-income youth.

There is clear provision and budget for both monitoring and evaluation

Please see the table below for a more detailed assessment:

Evaluability Criterion	Evaluability Sub-Criteria	Assessment
1. Quality of Project Design	1.1 Is the development problem that the project is attempting to address clearly specified? 1.2 Is the proposed project intervention clear in how it will address the development problem: does it have a clear theory of change, making explicit the expected link between project activities, outputs, outcomes and likely impacts? 1.3 Are the assumptions on which project results depend clearly stated? 1.4 Does the project set out how, and by whom, results should be sustained over time? 1.5 Does the project include indicators to measure UNCDF corporate objectives, including cross-cutting	

	objectives such as gender?	
2. Quality of the project's proposed monitoring system	2.1 Does the project's Results and Resources Framework set out clear and measurable performance indicators at each level of the RRF, (including the corporate cross-cutting indicators)? 2.2 Does the project have a clear plan, as well as a budget, for generating data to ensure monitoring, and,later, evaluation of project outputs and outcomes? Does the monitoring plan clearly specify how data is to be gathered, at what intervals and by whom? 2.3 Does the monitoring plan include a regular assessment of whether key assumptions for project results continue to hold? 2.4 Does the plan include an activity and budget for initial data gathering at the level of outputs and outcomes in order to function as a baseline for monitoring and	

	evaluation?	
3. Evaluation Arrangements	3.1 Does the project include a clear plan and budget for independent evaluations and reviews, making clear when they should be commissioned, who will be in charge of managing them, and who will be responsible for funding them? 3.2 Does the plan for evaluations involve, where possible, national consultants and national authorities in conformity with the UN's broader objective of supporting evaluation capacity development in partner countries?	