MicroLead
Mid-Term Evaluation

February 21, 2013

Submitted to:

Evaluation Unit
United Nations Capital Development Fund

Submitted by Independent Consultants:
Marc de Sousa-Shields
Juan Navarrete
Nabina Panday
Lene Hansen

Table of Contents

Programme Data Sheet .... **iii**

Acronyms and Abbreviations .... **iv**

1. Executive Summary **1**

1.1 Findings by DAC Criteria 2

1.2 Summary & Recommendations 7

1.3 Lessons Learned 10

2. The Mid-Term Evaluation **13**

2.1 Objectives and Scope of the Evaluation 13

2.2 Evaluation Methodology 13

2.3 MTE Work plan 17

2.4 Limitations of the Evaluation 17

3.0 MicroLead Programme Profile **17**

3.1 MicroLead Investment Context 17

3.2 Programme Description 18

3.3 Programme Implementation Status 21

3.4 Financial Status of MicroLead Management 23

4.0 MicroLead Programmatic Evaluation Findings **23**

4.1 Relevance 24

4.2 Effectiveness 30

4.3 Efficiency 35

4.4 Impact 42

4.5 Sustainability 52

5.0 Project Cycle Management Quality **56**

5.1 Design and Start-up 57

5.2 Pipeline 57

5.3 Due Diligence 58

5.4 Investment Selection and Resulting Portfolio 59

5.5 Management and Governance 60

5.6 Monitoring and Supervision 64

5.7 Reporting and Communications 65

5.8 Investee Exit from MicroLead Investments 66

5.9 Management Decisions Adding to Impact 66

5.10 Management Recommendations 66

6.0 Summary, Recommendations & Lessons Learned 67

6.1 Summary 67

6.2 Programme Summary 67

6.3 Management Summary 68

6.4 Lessons Learned 69

6.5 Summary of Recommendations 76

Appendix 1: Scores for MicroLead Programme and Management Performance 79

MicroLead Programme Scoring Matrix 79

MicroLead Management Scoring Matrix 93

Appendix 2: Financial Service Provider Scoring Sheet (Example) 102

Appendix 3: Mission Plan 104

Appendix 4: List of People Met/Interviewed 118

Appendix 5: Terms of Reference 130

Programme Data Sheet

Country:	Global
Programme Title (long)	LDC Fund to Develop Savings-led Market Leaders for Inclusive Finance (2008-2013)
Programme Title (short)	MicroLead
Programme Atlas Code (by donor)	UNCDF: Proj ID: 00060661; AWARD ID. 00049630 (core) UNCDF: Proj ID: 00063268; AWARD ID: 00050991 (BMGF)

Financial Breakdown (by donor)

Commitments:	Currency	Amount
UNCDF	USD	6,559,875 original commitment 2008 1,311,975 additional commitment 2009 7,871,850 total
Bill & Melinda Gates Foundation (BMGF)	USD	19,970,121 original grant amount 181,345 interest income earned 2008-2010 20,151,466 total
Total project budget:		**28,023,316**

Delivery (disbursements per donor)

	2008	2009	2010	Sum Total to 12/2011	Balance
UNCDF	4,526,322	1,799,432	8,709	6,334,463	1,537387
Gates	770,000	4,649,672	3,351,904	8,771,576	11,379,890
Total	**5,296,322**	**6,449,104**	**3,360,613**	**15,106,039**	**12,917,277**

Executing Agency	UNCDF
Implementing Agency	UNCDF
Approval Date of Project	13 October 2008 Gates Foundation grant agreement 17 October 2008 Programme Document executed
Project Duration	October 2008 – June 2014
Project Amendment	BMGF grant amendments: 4 February 2009 and 5 October 2009
Evaluation Date	21 SEPTEMBER 2011 – 31 MARCH 2012

Previous UNCDF projects (if relevant)	MicroStart
Previous evaluations (if relevant)	None
Dates of audits	None

Acronyms and Abbreviations

AEMFI	Association of Ethiopian Microfinance Institutions
ALB	Average loan balance
ASB	Average savings balance
BDBL	Bhutan Business Development Limited
BMGF	Bill & Melinda Gates Foundation
CGAP	Consultative Group to Assist the Poor
CPP	Client Protection Principles
CSP	Country-level sector programme
CSR	Corporate social responsibility
CTA	Chief Technical Advisor
DAC	Development Assistance Committee
DRC	Democratic Republic of Congo
EBL	Equity Bank Limited
EBR	Equity Bank Rwanda
EBSS	EBL in South Sudan
ECG	Evaluation Cooperation Group
FI	Financial Inclusiveness
FIOL	Financial Inclusion Online (UNCDF financial service provider performance database)
FIPA	UNCDF Financial Inclusion Practice Area
FSP	Financial service provider
FSS	Financial Self-sufficiency
FTE	Full-time equivalent
GNI	Gross national income
GTI	Global Thematic Initiatives
IF	Inclusive Finance
ILO	International Labour Organization
IR	Inception Report
KG	Knowledge Generation
KM	Knowledge Management
LAO PDR	Lao People's Democratic Republic
LDCs	Least Developed Countries
LTTA	Long-term Technical Assistance
MDG	Millennium Development Goals
MDG1	Millennium Development Goal Number 1
ML	MicroLead
ML MTE	MicroLead Mid-term Evaluation
MNOs	Mobile Network Operators
MTE	Mid-term Evaluation
NGO	Non-governmental organization
OI	Opportunity International
OI DRC	Opportunity International Democratic Republic of Congo
OSS	Operational Self-sufficiency
OTI	Opportunity Transformation Investments
PAC	Program Advisory Committee

PAR	Portfolio at Risk
PBA	Performance based agreement
PCM	Project Cycle Management
PFIP	Pacific Financial Inclusion Programme
PO	Programme Officer
PR	the Portfolio Review
Prodoc	Programme Document
RFP	Request for proposals
RTA	Regional Technical Advisor
SEMS	Social and Environmental Monitoring System
SACCOS	Savings and credit co-operatives
SCUs	Savings and credit unions
SSO	Sector Service Organizations
SSMDF	South Sudan Microfinance Development Facility
STTA	Short-term Technical Assistance
TOR	Terms of Reference
TRM	Tuba Rai Metin (TRM)
TSP	Technical Service Provider
UN	United Nations
UNCDF	United Nations Capital Development Fund

1. Executive Summary

The UNCDF Evaluation Unit commissioned a joint, independent and simultaneous Mid-term Evaluation (MTE or evaluation) of UNCDF's MicroLead Fund (MicroLead or the Fund) and review of UNCDF's Financial Inclusion Practice Area Global Portfolio (FIPA - Portfolio Review or PR).[1]

MicroLead was designed to provide technical assistance (TA) and capital supporting greenfields and existing FSPs focusing on savings services leadership in least developed countries (LDCs). Greenfield investments include operational support grants to establish (primarily) Southern-based FSPs; existing FSPs received long-term technical assistance (LTTA), grants and/or loans. MicroLead also offered a post-conflict window to support FSPs in conflict-affected countries.[2] Investments were operationalized via performance based agreements (PBAs) defining contractual performance targets and disbursement milestones. MicroLead was expected to complement FIPA's Country Sector Programmes (CSPs) and where appropriate have influence at the meso level (e.g., supporting sector association or diffusion of best practice information) and the macro level (e.g., influencing savings regulatory environments). The overarching goal of the fund is to contribute to FIPA's inclusive finance objectives of contributing to Millennium Development Goal Number 1: to eradicate extreme poverty and hunger.

The MTE was originally commissioned to consider the Fund's performance from start-up in November 2008 through June 30, 2011; subsequently, the evaluators were asked by FIPA to consider data through to September 30, 2011. The principle objective of the evaluation was to explore, on the basis of available evidence, the extent to which the Fund has achieved results against its three core development hypotheses during its initial three years of operation:

1. That introducing a market leader into a country will help to increase capacity and improve standards for that country's microfinance sector overall; expand outreach by the industry as a whole; and promote an improved legal and regulatory environment;
2. That MicroLead helps leverage grantee ability to scale up and introduce innovations: (e.g., to achieve product diversification, rural expansion and an improved focus on women); and
3. That MicroLead's savings emphasis leads to stronger, more resilient financial service providers and end-clients.

The MTE also aimed to assist programme stakeholders, including UNCDF, co-financiers and grantees, in assessing the levels of relevance, effectiveness, efficiency, impact and likely sustainability of results achieved by the programme, to date. MicroLead began operations in late 2008 with a budget of USD 26.5 million, of which UNCDF committed USD 6.5 million and USD 19.9 million was granted from the Bill & Melinda Gates Foundation (BMGF). [3] An additional USD 1.3

[1] The conjunct evaluation exercise comprised a review of FIPA's global portfolio as of June 2011 and a MTE of the MicroLead Programme. Separate Terms of Reference (TOR) were issued for the MTE and the Portfolio Review. The TORs are interrelated in many aspects, with differences reconciled in an Inception Report (November 17, 2011) to allow for concurrent execution by the same team of external, independent consultants (see Portfolio Review/Mid-Term Evaluation Financial Inclusion Practice Area of UNCDF, Inception Report – Inception Report). The Mid-Term Evaluation, however, assessed and reported on the MicroLead programme separately against its own outputs, outcomes and impacts, in accordance with UNCDF's standard evaluation methodology and approach.

[2] The post-conflict window incorporated three investments in South Sudan committed prior to MicroLead start-up (BRAC South Sudan, SUMI and Finance Sudan).

[3] In July 2011, UNCDF raised an additional USD 23.5 million from The MasterCard Foundation for a second phase ("Expansion Programme"), with resources earmarked for underserved LDC and non-LDC countries in Sub-Saharan Africa (not included in the MTE)

million was committed by UNCDF in late 2009 and USD 0.18 million was generated via earned interest for the period 2008-2010 for a total of USD 28,023,316. To date, MicroLead has supported 20 Financial Service Providers and two Sector Service Organizations in nine countries with a total investment of USD 19,495,290, of which USD 16,807,307 is in grants and USD 2,687,983 in loans. Decisions to invest in three FSPs in South Sudan (SUMI, Finance Sudan and BRAC South Sudan) were made by FIPA prior to the launch of MicroLead and subsequently placed in the portfolio with the agreement of the BMGF. The Fund has a further USD 3,145,000 in disbursement commitments and an unallocated balance of USD 510,263.

The methodology developed for the MTE and PR is based on UNCDF's standard evaluation approach of assessing project and programme performance against the intervention logic and underlying development hypotheses. Several challenges/limitations were encountered related to timely and complete access to programme documentation, resulting in adjustments to the evaluation plan, but not to the methodology.

1.1 Findings by DAC Criteria

MicroLead achieved an overall score of Acceptable (2.8 of a possible 5 – See Table ES 1) against five DAC-based evaluation key questions. A summary of each DAC criteria findings is presented below.

Table ES 1 - Main Questions addressed in the MTE*	Aggregate Score
1. Are MicroLead's investments in microfinance strategically relevant, given its mandate, instruments and comparative advantage (including cross cutting issues)?	Good - 3.2
2. Are MicroLead's investments effective in terms of achieving their intended results?	Acceptable - 2.7
3. Are MicroLead's investments efficient in terms of resources and time allocated?	Acceptable - 2.9
4. What is the likely impact of MicroLead's investments in microfinance?	Acceptable - 2.7
5. Are MicroLead's investments in microfinance leading to sustainable provision of financial services for the intended clients?	Acceptable - 2.9
Overall score of DAC criteria	Acceptable - 2.8
6. How well did MicroLead manage the portfolio to ensure project quality at entry, satisfactory implementation and monitoring of the programmes?**	
*Performance was scored on a scale from 0 to 5 (0= Exceptionally Poor, 1 = Unacceptable, 2 Minimally Acceptable, 3 = Good, 4 = Very Good, and to 5 Exceptionally Effective - see Appendix 3). ** Question 6 was not scored as per the DAC critiera, but assessed using the project lifecycle framework.	

Relevance

MicroLead scored a "Good" on relevance (3.2). Programme Relevance reflects how well programme investments align with the UNCDF mandate and, more broadly, with related donor, partner, and government strategies. It also assesses "additionality" or the unique value a MicroLead investment brings to the inclusive finance sector and programme objectives alignment with investee needs.

Where investments were well-aligned with UNCDF's mandate with inclusive sector/FSP needs, FSP performance tended to be stronger. Relevance was also judged stronger in those programmes with technical service providers (TSPs) and active chief technical officers (CTAs). Relevance was not as strong in greenfields investments.

Findings suggest on-site human resources will improve MicroLead's ability to identify the nexus of interrelated relevance variables required to meet its outcome mandate. Quality information inputs are also related to long-term, vested programmatic interest; e.g., TSPs which plan and then implement programs based on PBAs and engaged on-site FIPA staff are more likely to support greater programmatic relevance. More "feet on the ground" does not guarantee greater relevance, but more ability to collect and synthesize information does set the stage for better investment relevance.

The changing nature of sector development, however, casts a shadow on what is a relevant investment (see Box 1) and what provides market leadership. Where supporting good management practice in smaller and medium-sized FSPs was once the path to market leadership, it appears that larger FSPs with the ability to assemble and manage large sums of capital and human resource expertise required for electronic/mobile banking represent a better bet for market leadership – particularly in savings. This leads to new kinds of relevance considerations, as well as financial and development outcome risks. More importantly, this represents shifting additionality potential: that is where can MicroLead's relatively small investments affect change that would not have happened in the absence of its funding?

Not surprising, the evaluation found MicroLead's "additionality" in Equity Bank South Sudan and Rwanda (and ACLEADA in Laos - not included in the evaluation sample but noted as a reference) as questionable. Neither bank could adequately articulate MicroLead's additionality (Senior Managers, in fact, could not account for how MicroLead funds had been used). Related, Equity could not provide consistent and convincing information that it was serving the low income market, though it claims to have plans to do so with electronic technology in the future.[4] MicroLead's investment, in this case, may have had greater relevance if it had specifically supported more rapid application of mobile plans.

Box 1 - MicroLead Operating Context

MicroLead was born in the context of a rapidly-changing inclusive finance sector where good FSP management practice leading to sustainable and scalable conventional FSPs in most economic/regulatory environments was commonly understood and field tested. Donors, as a result, were able to build programmes to support the development of best practice outcomes within FSPs.

At the same, however, electronic and mobile banking systems – including, for example, point of sales, agency banking and mobile phone banking, were rapidly emerging. Indeed, since MicroLead's start up, the very nature of what constitutes savings "market leadership" and related development/financial risks of supporting has radically changed.

MicroLead, in fact, was born near the end of what might be called the "brick-and-mortar" period of inclusive finance, and the cusp of a technology-led sector. Even through its first three years, efforts to scale smaller FSPs was becoming a less relevant strategy in many markets. Indeed, given the rapid and pervasive advance of technology throughout developing country economies, but particularly in the banking sector, the "brick and mortar strategy" is likely a doomed leadership approach, save for highly specialized transactions.

FSPs with the most success of pursuing this strategy tend to be larger, well-capitalized, well-governed and well-managed institutions. Although size can reduce financial risk, it also limits the meaningful value-added a fund such as MicroLead can have (i.e., most of these FSPs really do not need donor support, save perhaps at the regulatory level). Conversely, funders such as MicroLead have had obvious and substantial value-added supporting smaller brick-and-mortar FSPs which have gone on to become market leaders.

In the current market context – at least in some markets – identifying and supporting "savings market leaders" with notable additionality/value-added is much more challenging than it was even several years ago.

[4] Equity Bank South Sudan savings account size data was received in May 2012 after the first draft of the evaluation had been submitted. It disaggregated accounts by account size and showed over 80% of accounts for 20% of savings volume were of small size. Branch visits, focus groups, and management interviews did not provide information suggesting these accounts were from low income clients compared to those served by the other three MicroLead-supported South Sudanese FSPs (assessed in the same manner).

Quite clearly, risk and additionality are related, and there is risk in investing in both large and small FSPs. Broader due diligence analysis and portfolio risk analysis, for example might have helped steer MicroLead away from substantial co-variant financial risk represented via investments in South Sudan and concentration risk associated with BRAC investments.

More and better women's empowerment and environmental targets/measures would also enhance fund relevance. Gender and environmental expectations need not be formalized, but could be incorporated as PBAs "soft targets" or targets that are encouraged and reported but not a requirement for disbursement.

Effectiveness

MTE findings suggest effectiveness to be "Acceptable" (2.7). Effectiveness analysis assessed the extent to which investments supported overall investment goals specified in investment agreements (dealt with more in Impact and Sustainability, Sections 4.4 and 4.5), and the degree to which investments contributed to changes within FSPs and other partners (at the micro, meso, and macro levels where applicable). Effectiveness specifically assessed procedural and product/service changes within grantee institutions supporting expanded and sustainable outreach with an emphasis on savings. Some direct (PBA targeted) and indirect meso and macro level development was also expected.

Effectiveness results appear to be "context specific" rather than systemic in nature, requiring technically versatile, trained and 'investment-oriented' human resources, as well as time-sensitive programme management, each of which were unevenly available within the relatively slim MicroLead management structure. The evaluation also found that MicroLead's contribution to new or innovative FSP products and services has been limited to mid-term, not unsurprising given most FSP have only begun to implement their PBAs. Only two institutions have seen significant savings services growth, BDBL in Bhutan and Equity Bank South Sudan, the former having developed develop "new" savings products (e.g., youth, education, etc.) based on existing products (requiring little MIS/process change) and the latter via the establishment of a commercial bank. Geographic market development has similarly been limited, with primarily infill of existing urban and peri-urban markets. BRAC in Liberia, Sierra Leone and South Sudan has reached some new rural markets with credit but not saving services.

ML investments have yet to yield notable increased access to capital. FSPs with smaller asset bases or access to on-lending capital, have had some success developing savings products (as noted above) and Tuba Rai Metin (TRM) in East Timor has attracted the attention and some capital from international investors. BRAC in Sierra Leone and Liberia, by contrast, have demonstrated little commitment to transformation into savings institutions and have yet to access capital as a result.

Effectiveness also varied by MicroLead's FSP business type or business model. Differential capital access, management capacity, governance and context influences FSP business model performance, but do not necessarily determine effectiveness. How these elements come together, however, was found to be strongly influenced by the nature of business models: e.g., Equity's commercial bank model (shareholder accountable, for-profit model) and BRAC's social development model (NGO owned, social mission driven model). Findings suggest that while MicroLead has the ability to distinguish between models and drivers, it may not have consciously identified and considered how the impulses and resulting behaviour of each model affect FSPs as they matured (e.g., how BRAC's adequate capital base and access to capital the diminished its drive to access new capital though savings). The ability of an institution to adapt its business model (BRAC particularly) was also found to be uneven, due in part to management and governance capacity, but also to the ability to adapt local market expecations and needs into their business practice. The evaluation found that not all greenfield models have responded to MicroLead investments in the same way as a result.

TSP led investments have performed consistently and relatively well by contrast, and have had good success promoting savings and introducing substantial FSP process, procedural, and product change. TSP performance is driven by well designed PBAs, strong technical capacity, and disciplined management pushing change in FSPs.

More generally, "South-South" linkages for greenfields was uneven, though Equity Bank experience was smoother due in large part to its African experience (challenging start up in Uganda). The South South TSPs BASIX linkage was, by contrast, consistently good (i.e., Ethiopia, East Timor and Bhutan) and CARD (Loas).

Programme effectiveness, including meso and macro level changes, was also uneven. Greater effectiveness was achieved when MicroLead tapped into broader networks; it was stronger still where TSPs, whose PBA accountability was clearly linked to programme outcome success, were in charge of project implementation. The evaluation found that greater meso and macro level effectiveness required active as opposed to "organic", unplanned outputs. The Fund needs to establish more formal and measurable expectations in this regard, along with corresponding PBA accountability (e.g., Equity Bank taking a formal leadership role in the South Sudan financial sector by strongly supporting the nascent inclusive finance sector association). This is particularly true for the Fund's "market leadership" aspirations if it is to understand if investees are actually influencing market change, catalyzing capital, influencing expansion of savings markets etc.

Efficiency

Overall Efficiency was "Acceptable" (2.9) with no systemic challenges. Programme efficiency assessed the extent to which MicroLead investments, institutional arrangements, and incentive systems helped produce expected programme outputs within expected time periods at a reasonable cost. Good programme efficiency facilitates appropriate levels of financial and human resource costs to benefits for outcomes. Project cycle management quality issues were addressed where relevant, in particular as they relate to the PBA system and its contributions to efficient programming (full Project Management Cycle analysis is found in Section 6). Where institutional and implementation arrangements were sufficient to generate expected output and outcomes, investees tended to perform better. Evidence supported the "feet on the ground" hypothesis and suggested that TSP interventions while modestly more costly, produced better outcomes than greenfields and FSPs receiving only grants. This suggests 'out-sourcing' management to TA providers, given their PBA driven motivation for success, can lead to greater efficiency.

MicroLead PBAs were found to be reasonably good and offered sound key performance targets. Notably, PBA targets were not optimally linked to disbursement milestones and as a result had limited influence on poor performer behavior (BRAC Sierra Leone, Liberia and South Sudan), or on FSPs with well-defined corporate strategies (Equity and BRAC). In the case of crisis, MicroLead may have to "double down" through proactive PBA support or intervention clauses (i.e., the contractual right to management intervention) as is consistent with Fund's risk profile. Related, MicroLead's limited ability to lever change in the later stages of the PBAs also reduced its influence: longer back-end disbursement or positive performance incentives should be considered.

Evidence showed MicroLead management efficiency to be constrained by its business model (that is, a high risk fund acting like a development fund or a passive debt fund) and as a result of staffing limitations. Funds with equivalent risk/complexity/size profiles tend to have at least two full-time managers as opposed to a single Program Manager (PM).[5] A management cost of 14% compares well to traditional development fund costs of 10-20%, or a high social impact fund at 8% to 12%: adding a second FTE at the same salary of the PM would increase costs by 1.73%.

Management resources were also insufficient to effectively meet the Fund's knowledge generation objectives. Limited capacity also constrained efforts to invest in CPP-related implementation tools such as the standardized reporting format and critical strategic networking with key partners.

Impact

MicroLead's impact was primiarily measured through an assessment of outreach expansion through savings and credit services, product innovation, and new market segment development was judged Acceptable" (2.7). More broadhly, impact assessed likely positive and negative changes influenced directly or indirectly by MicroLead, intended or unintended. Impact assessment focused the overall economic level of clients as indicated by outreach to the low-income market with savings products in particular; the development of innovative products and services; and demonstration of low-income market, particularly through savings, leadership. The assessment addressed the extent to which investments had positive impact on women empowerment (Millennium Development Goal 3) and environmental issues (Millennium Development Goal 7). Impact was considered at the micro, meso and macro levels.[6]

With two institutions providing over 80% of net new saving accounts, and only four meeting minimum savings targets, growth across the portfolio was neither ideal nor well-distributed. In three countries, DRC Congo, Sierra Leone and Liberia, FSPs have yet to secure savings licenses and it is unclear if they will during their PBAs. In South Sudan, only two institutions are trending to meet savings targets, and one, Finance Sudan cannot yet legally mobilize savings. The evaluation could not confirm if Equity Bank was serving low-income clients in South Sudan or Rwanda, though it notes the bank's strategy is to establish viable commercial branches first then turn to the low income market more earnestly. TA in Lao has yet to improve savings outreach, as is the case in Ethiopia due primarily to the youth of the programmes. As at September 2011 date, only BDBL Bhutan and TRM have seen notable verifiable low income savings service outreach growth. Savings product innovations have likewise been very limited across the portfolio.

The uneven performance found across the portfolio was not linked specifically to FSP size or funding amounts or to corporate type. While BRAC's focus on the poor is unqualified, for example, it was unable to adapt its model to produce consistently good outcomes in its three MicroLead investments; Equity's more commercial approach demonstrated a strong focus on banking and credit services to more well-off clients with a stated intent to focus on the poor once the startup banks had been established. Meanwhile, the relatively large BDBL in Bhutan, with the support of

[5] See Marc de Sousa Shields: Evaluation of AfriCap Microfinance Fund. Http://microlink.kdid.org/library/evaluation-africap-microfinance-fund.

[6] Environmental considerations are not explicitly included in PBAs, but the United Nations is signatory to various conventions and norms (including the MDGs) that include environmental considerations. Analysis of impact, therefore includes environmental issues, but the analysis of scores without environmental consideration is also provided given the lack of specific provisions in PBAs. The question of whether FIPAs approach complies with broader United Nations policy is beyond the scope of the MTE.

BASIX TSP, squarely focused on savings development for the poor. FSP strategy and business model, as a result, were found to be key elements defining impact.

More efficient MicroLead management influence on programmatic impact was limited more by a lack of resources than capacity. This is partially substantiated by the observation that wherever more feet were on the ground, impact tended to be better. TSPs, for example, played notable impact-enhancing roles. This said, there was little catalytic capital affect via TSP-led programmes, save some greenfield programmes (where attribution to MicroLead investment was not possible).

In the area of gender empowerment, MicroLead successfully advanced attention to women as clients, and all but one FSP met the 50% women client target (note, however that 60% of FSP partners already had strong female client bases). Unfortunately, very little product and service innovation aimed at the specific financial services needs of women was found within FSP portfolios. There also remains great untapped potential to promote female participation in management and on boards. Opportunities to encourage more and better poverty alleviation through environmental initiatives also exists but are largely untapped. Synergies with CleanStart once it becomes operational and MicroLead have strong potential.

Sustainability

MicroLead's overall sustainability performance was assessed to be Acceptable. Sustainability assessed whether the benefits of programmes are likely to continue after MicroLead funding has ended. The primary sustainability FSP outcome is to support low-income-appropriate products and services on a sustainable basis through the promotion of savings-led FSP market leaders. For an FSP to be considered sustainable, it will no longer require donor subsidies to maintain (and grow) products and services indefinitely. As a result, the assessment of programme sustainability focused on FSP sustainability trends, linkages between FSPs and the private sector, and the quality of a MicroLead support exit plan. Given the high-risk nature of the Fund, it is notable that 60% of FSPs are likely to become sustainable, albeit not necessarily within their PBA timeframes.

The Fund faces a potential loss of 20% over phase one (SUMI and BRAC South Sudan), not including delayed loan payments from Finance Sudan or the suspension of BRAC Sierra Leone and Liberia. The removal of four Laotian FSPs from the portfolio also improved sustainability performance, as did recent investments in solid FSPs in Ethiopia and Rwanda. More proactive investment management might have lowered Fund losses (e.g., through assistance to troubled investees via short term consulting or CTA/RTA trouble-shooting – not available via the current MicroLead model but consistent with high risk social impact investment). Remediation action such as expressing concerns, discussing solutions, sending warning letters, and suspending investments did not affect substantial change in troubled FSPs.

Finally, while monitoring tools were found to be relatively good, they could have been enhanced to support more accurate/timely trend analysis. The evaluation also found, again, better sustainability performance for programmes with more and vested FIPA and/or TSP feet-on-the- ground.

1.2 Summary & Recommendations

At mid term, MicroLead had uneven performance across all DAC criteria. There is no conclusive and attributable evidence that the Fund has helped improve the standards of investee country inclusive finance sectors; nor is there evidence suggesting investments are on track to helping FSPs scale up and/or introduce innovations to a significant degree. Investees, by and large, remain relatively weak, save Equity Bank and Ethiopian investments (neither attributable to MicroLead). This said, it is important to recognize most investments are less than two years old. Management value added to performance was uneven largely due to the Fund being understaffed and due to informal and less than fully effective support expected from CTAs and RTAs. Where there were strong CTAs and TSPs on the ground, performance was found to be better in almost every investment programme.

General Recommendations

The evaluation recommends the Fund adopt some aspects of a high-impact social fund culture[7]: that is, proactively managing investments in pursuit of social and financial returns and employing more human resources for active management. As a first step, MicroLead needs to recognize it is more of an investment fund than a development agency programme. This might be a challenge for a fund operating within the context of the United Nations, but adopting many simple, specific recommendations, elements of such a fund culture could be successfully adopted to good effect. MicroLead should also shed its "small fund" ethos, for despite challenges, the Fund is a leading example for change in inclusive finance globally. This should be reflected in its culture and employed as a motivating force for setting high standards of investment success. Moreover, the coming MasterCard Foundation expansion provides an unique opportunity to redefine MicroLead internally and with respect to CTAs, RTAs, other stakeholders, and enhance the FIPA brand. Specific recommendations for each DAC criteria are summarized below.

Relevance

- Ensure future investments have multiple, vested programmatic and expert input to design.
- Carefully evaluate the relevance of greenfield investments, taking into account the relative advantages of different kinds of risk-taking related to business models.
- Ensure MicroLead investment strategy is well aligned with FIPA mandate and intervention logic, as well as a projected evolution of the target inclusive financial sector development.
- Develop a quantitative due diligence tool to systematically identify and measure all types of investment risk and FSP/sector additionality expectations.

Effectiveness

- Document the different impulses or influence behind business models at the investment structuring stage of investment and monitor through life of PBA.
- Increase staff resources for monitoring investee progress beyond quarterly reports (e.g., catalytic capital, macro/meso influences, market leadership effects, etc.)
- Consider consulting support (PBA required) to monitor and support greenfield investments.
- Set clearly articulated, measurable and accountable financial sector development outcomes, including macro, meso and knowledge generation targets.
- Require clear documentation of UNCDF's intended/expected investment input value-added during due diligence, in investment decision reports, and in PBAs;
- Have investees disclose funding from all sources (amount and purpose) at the time of investment as well as annually;

[7] See, for example, the Global Impact Investment Network, http://www.thegiin.org/cgi-bin/iowa/home/index.html)

- Produce case studies of MicroLead-CSP synergies leading to improved outcomes.
- Produce case studies on MicroLead's experiences with greenfield investments. Establish key lessons learned and channel these lessons into programme and management guidance.

Efficiency

- Increase staffing through:
    a. Formalization of roles, responsibilities and accountability mechanisms of RTAs, CTAs and other, internal UNCDF stakeholders (e.g., job descriptions, staff incentives and staff appraisals);
    b. Increase programme staffing by two full-time-equivalents (programme staff and/or administrative assistant and knowledge management expert).[8]
- Establish discretionary budget for rapid response/ support for FSP experiencing difficulties.
- Link financial and development outcomes to disbursement milestones.
- Expand the standardized reporting template to incorporate more reporting on knowledge generation, client protection principles and other innovations.
- Review the structure of the incentives in PBAs and consider adding/enforcing repayment of grants due to non-performance, and positive incentives for performance that, by the end of the PBA period, exceeds targets.

Impact

- Fund short term TA to boost savings innovation (for women/outreach impact) particularly in countries lacking CTAs or TSPs.
- Set PBA soft targets as a means to:
    a. Encourage women in senior management and Boards of Directors positions;
    b. Compliance with national environmental legislation and regulation;
    c. Encourage basic environmental loan screening; and
    d. Promote of environmental products and services and synergy with CleanStart.
- Consider a simple social and environmental monitoring system, or scorecard (based, for example, on a simplification of the Global Reporting Initiative format). [9]
- Publish short, actionable articles on impact enhancement products/services (improving GNI, contribute to women's economic empowerment, biogas finance, etc.).

Sustainability

[8] The addition of two full-time-equivalent (FTE) funding allocations, with the benefit of MasterCard Foundation funding, should provide sufficient support, depending on roles, responsibilities and capacities.

[9] The Global Reporting Initiative supports a social, environmental, and economic report format which systematize is CSR reporting. The GRI is associated with United Nations Global Compact as well as links to ISO 26,000 social and environmental best practice management format. See https://www.globalreporting.org or more information.

- Develop tools to better track, verify and report on performance in prioritized areas including aggregated and disaggregated sustainability trend analysis for stronger monitoring, analysis and decision-making.
- Develop measures to report on financial sustainability trends (e.g., MicroLead/donor dependency ratio).
- Review and reconsider MicroLead FSP crisis intervention policies.
- Designate funding for crisis management.
- Develop a clearer exit policy/strategy from MicroLead investments.

Management Value Added

- Add two full-time staff (management assistance and knowledge generation).
- Articulate RTA and CTA roles and responsibilities related to MicroLead.
- RTA and CTA MicroLead/GTI management training, including incentivization of, sensitization to and concrete guidance on potential synergy and value add to country and regional portfolios.
- Develop governance consistent with Fund risk profile including proactive management intervention policy and independent voices (i.e., not related to UNCDF or main funders).
- Provide proactive problem resolutions tools (e.g., discretionary S/LTTA funding, pre-negotiated PBA management intervention clauses, positive PBA incentives).
- Operationalise budget and measure knowledge generation targets.
- Define, track and report on non-financial impact targets (e.g., rural clients, rural branches, direct and indirect management gender and environmental decisions etc.).
- Define and track specific non-FSP strategic Fund priorities (e.g., leadership positioning, knowledge generation, innovative products, CPP focus, etc.).

1.3 Lessons Learned

Many lessons emerged from the MTE some reflecting on MicroLead's performance specifically, others more to the broader inclusive finance sector development context. Eight stand out:

Technology is Changing the Nature of Leadership, Risk & Value-Added

Inclusive finance is on the cusp of change as capital and human resource-intense technology-based financial services are emerging to replace more traditional approaches of scaling access via brick and mortar FSPs. The pace of change differs by country but is obviously affecting the nature of risk and the definition of leadership in the sector. This trend is also changing the potential additionality/value-added of funds like MicroLead. Within the next several years, many countries will be well down this path: anticipating this, MicroLead must work to better assess leadership opportunities and potential outcomes. Significant potential synergies with other donors and with the Mobile Banking for the Poor GTI should be strategically pursued.

MicroLead: High Impact Social Venture Fund in Development Agency Fund Clothes?

MicroLead's closest fund comparator is a high impact social venture/seed capital fund. MicroLead can enhance performance by adopting the ethos and some practices of such a fund, particularly a more activist approach to portfolio management. Ideally this would include more formalized governance with independent voices, more management resources, and an interventionist mandate.

Multi-Dimensional Due Diligence is Required

MicroLead's pipeline and due diligence was overly optimistic, constrained as it was by the quality and volume of applications in the first call for proposals. The latter lacks, but could easily develop, a more rigorous approach to assessing institutional and development risk, value-added/additionality, market leadership and other non-financial elements critical to achieving development outcomes.

Understand What Drives Investees for Better Investment Decisions & Outcome Maximization

The influences driving FSP management and governance decision-making condition institutional developmental paths and approaches to problem resolution. Investment decision-making and problem solving on the part of MicroLead, requires more rigorous accounting of these impulses.

More PBA Power can be Unlocked to Lever Better and More Development Outcomes

PBAs have improved over the life of the Fund but MicroLead has not unlocked their full leveraging potential. More precise measurement of development outcomes will lead to better performance; and a variety of hard and soft targets can be considered: e.g., average savings and loans balance to GNI per capita; soft targets for encouraging good practice corporate social responsibility such as women in decision making positions, consideration of environmental impacts, and participation in knowledge generation activities. That FSPs and UNCDF/MicroLead staff find PBAs not particularly onerous suggests that increased expectations would not negatively affect FSP performance.

Independent Voices, Greater Structure and More Activism Makes for Better Governance;

High impact social venture/seed capital funds have strong, highly structured governance systems often with independent voices/perspectives. MicroLead has neither, and while it's monitoring and evaluation system has proven to be relatively good, information generated is rarely used in a proactive and strategic way. A more proactive mandate, including independent perspectives and more structured reporting would go some way to enhance MicroLead outcome performance.

MicroLead is a Relatively Low Cost Fund: Perhaps too Low Cost

MicroLead's business model, governance system and management resources constrain fund performance and limits proactive management. Compared to high impact social funds, MicroLead is relatively, but not order of magnitude, more costly. Sitting as it does within the United Nations system and given the high risk and geographic distribution of investments, the cost of managing MicroLead should be considered relatively modest. As FSP performance and programme management were consistently better where there were more feet-on-the-ground, improving and formalizing CTA, RTA and CSP obligations to support MicroLead should increase management effectiveness and efficiency, as would greater use of quality developing country TSPs.

MicroLead Experience to Mid-Term is a Rich Source of Knowledge to be Tapped

There was little by way of formal knowledge generation and diffusion undertaken during the first phase of the Fund. Instead, MicroLead has relied more on informal/organic means of knowledge diffusion which is for the most part, not particularly successful. This is a shame given the rich experience and lessons generated by the Fund. A disciplined knowledge generation programme/strategy needs to be developed, including, if possible, substantial (PBA-driven) collaboration with FSPs. MicroLead should also set specific knowledge generation expectations at the macro, meso and micro levels.

2. The Mid-Term Evaluation

2.1 Objectives and Scope of the Evaluation

Commissioned by the Evaluation Unit of the UNCDF, this Mid-Term Evaluation of MicroLead was carried out in conjunction with a separate evaluation, the Portfolio Review, which assessed the global portfolio of UNCDF's Financial Inclusion Practice Area (FIPA).[10] The evaluations were conducted jointly to help facilitate an exploration of the differences and synergies between UNCDF's country-level sector programmes and global thematic initiatives. The specific objectives for the evaluation were to:

- Assess MicroLead's relevance, effectiveness, efficiency, impact and sustainability results;
- Assess programme stakeholders and beneficiaries satisfaction with the programme;
- Assess whether UNCDF and its partners are effectively positioned to achieve results;
- Contribute to UNCDF and its partners' learning from programme experience;
- Assess the value of the fund and opportunities for replication;
- Comply with UNCDF's evaluation policy.[11]

In addition, the evaluators assessed the extent to which MicroLead had achieved results in line with its three core development hypotheses:

- That the introduction of a market leader, in a given country, will lead to (i) increased capacity and improved standards within the country's microfinance sector; (ii) increased outreach by the microfinance industry; and (iii) improvements in the legal and regulatory environment;
- That MicroLead helps leverage a grantee's ability to scale operations and introduce innovations, such as product diversification, rural expansion, or a greater focus on women; and
- That MicroLead's emphasis on savings leads to stronger, more resilient financial service providers and end-clients.

2.2 Evaluation Methodology

The evaluation methodology developed for both the MTE and the PR was based on UNCDF's standard evaluation approach in which evidence of project or programme performance is assessed against the underlying intervention logic. The methodology comprised four key elements:

- Development of an adjusted, common intervention logic for the country-level sector programmes and GTIs;

[10] Both evaluations reviewed data from baseline (not earlier than October 2008 for ML) to June 30, 2011. MicroLead also assessed data as at September 30, 2011. Separate but interrelated terms of reference were issued for both with some methodologic differences to account for ML specificities. The MicroLead was assessed separately against its own outputs, outcomes and impacts with findings reported in a stand-alone document. See Inception Report to the Portfolio Review/MicroLead Mid-Term Evaluation Financial Inclusion Practice Area of UNCDF, November 17, 2011. for full rational of a joint exercise.

[11] The UNCDF Evaluation Unit is mandated to conduct at least one strategic or thematic assessment per year in response to corporate priorities. Mid-term or final evaluations are also required of projects in critical areas of relevance for UNCDF's two practice areas: local development and inclusive finance. This evaluation responds to both requirements.

- Assessment of MicroLead's achievements relative to its initial targets for intended output, outcomes and impacts in accordance with criteria stipulated by the United Nations and by the OECD's Development Assistance Committee (DAC criteria);
- Assessment of synergetic effects between UNCDF's FIPA's main approaches: country-level sector programmes (CSP) and its global thematic initiatives (GTI); and
- Recommendations to improve MicroLead's strategic approach and operational modalities, within the context of UNCDF's broader strategy.

2.2.1 Adapted UNCDF Intervention Logic Diagram

Following a review of the UNCDF programming results chain, an adapted UNCDF intervention logic was designed to better incorporate global thematic initiatives (GTIs - including MicroLead). The diagram depicts a results chain beginning with the flow of technical and financial inputs from FIPA and other donors (Inputs/Activities) aimed at supporting programme activities producing outputs leading to the development of inclusive finance sectors or outcomes and, ultimately, improvements to the lives of low income clients.

Expected outcomes are found at the macro, meso and micro levels depending on investment focus. Whereas intended outcomes of FIPA programmes are similar, inputs differ by approach. GTIs have more narrowly focused activities and outputs than country-level sector programmes as they focus more on micro-level development, though the Fund has some meso and macro expectations.

2.2.2 Evaluation Tools

The MTE assessed and scored programming related to three levels:

- The performance of MicroLead supported retail financial service providers (FSPs);
- The performance of MicroLead investments/programmes at the country level;[12] and
- The quality of MicroLead managerial input.

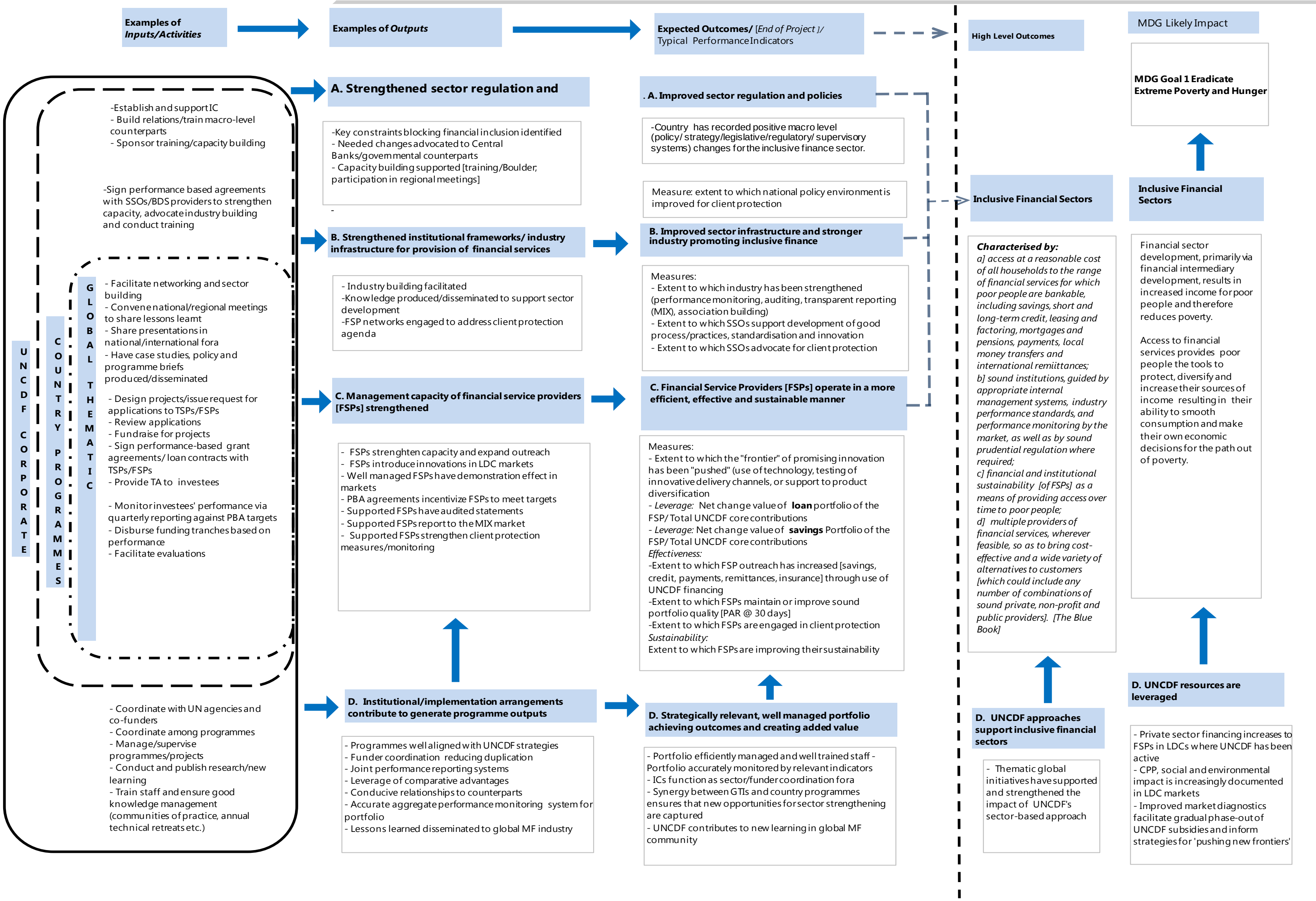
A series of evaluation tools were developed for this purpose, as presented below.

2.2.2.1 Financial Service Provider Data Collection Template and Scoring Matrix

An FSP data collection sheet and aggregating scoring matrix were developed based on a draft received from UNCDF, incorporating FIPA standard reporting indicators and standard CGAP/MIX Market performance indicators. The FSP matrix had three components: i) FSP profile data (age, institutional type, investment type, contract type, funding amounts; ii) standard performance data (baseline September 30, 2011), iii) a FSP matrix scoring scale for assessing performance against internationally recognized good practice benchmarks and what was agreed in FSP performance based agreements (PBAs). Performance was scored on a scale of 0 (exceptionally poor) to five (exceptionally effective) on six categories of indicators (see details in Annex 1 and 2). Sector Service Organizations (SSOs) also were assessed against PBA targets but are not included in the FSP performance scoring matrix.

[12] Some MicroLead investments are structured to include multiple FSPs and sector service organizations such as sector associations. This investments are similar to a programme approach to supporting financial inclusion. Others are in a single FSPs. For ease of description, MicroLeads activities are refered to as investments or programmes.

Adjusted UNCDFStandard Results Chain for Building Inclusive Financial Sectors in LDCs



Data and performance targets were provided primarily by Chief Technical Advisors (CTAs), Regional Technical Advisors (RTAs), and Programme Managers (PMs), with an initial deadline of January 16, 2012, later extended to February 24, 2012. Data was reviewed and cleaned (including comparison with the Financial Inclusion Online - FIOL). Final FSP data was received February 24, 2012.

2.2.2.2 Investment/Programme Performance-Scoring Matrix

An investment performance scoring matrix was designed to analyze and score overall performance against underlying intervention logic and more specifically against MicroLead's broader objectives. .[13] The matrix builds upon UNCDF's existing programme-level evaluation framework (Special Projects Implementation Review Exercise - SPIRE), adapted to better reflect the Development Assistance Committee (DAC) criteria of relevance, effectiveness, efficiency, impact and sustainability. (See Appendix 3) The matrix has three categories of questions: overall evaluation questions (tied to the DAC evaluation criteria); key questions tied to the FIPA results framework; and sub-questions specific to the evaluation's terms of reference.

Evaluation questions and sub-questions were selected on the basis of "good" development fund management practice. Questions were based on three, previously-applied SPIRE evaluations, and were refined with input from both FIPA and Evaluation Advisory Group. Information/data for scoring was based on a desk review of available documentation and MicroLead stakeholder interviews (field visits or via telephone).[14] Investment/programme scores were scored independently by two evaluation team members and aggregated at the country level which was aggregated into overall MicroLead programme scores. Performance was scored on a scale from 0 to 5 (0= Exceptionally Poor, 1 = Unacceptable, 2 Minimally Acceptable, 3 = Good, 4 = Very Good, and to 5 Exceptionally Effective - see Appendix 3).

The evaluation intended to validate documentation review and FSP scores during field work. Due to information delays this was not possible and scores were completed during and directly after the field visits to seven of nine investment countries. *(See Table 1)* Between one and three FSPs were visited per country. In addition to management interviews, FSPs were asked to select 15 to 30 clients (random stratified sample) for focus group participation. Focus groups sought to understand client perception of FSP products, services and client care. [15] (See Appendix 5)

Table 1: Countries Proposed for Field Validation Visits

Asia	Africa
Bhutan	South Sudan
Laos	Ethiopia
Timor Leste	DRC
	Rwanda
	Liberia

2.2.2.3 Management Quality (Value-Added) Scoring Matrix

A management quality scoring matrix was designed to assess MicroLead's management quality and consisted of key questions and sub-questions. (See Appendix 4) The system assessed management support/influence independent of FSP: that is, it scored the extent to which MicroLead management contributed to achieving outcomes and outputs. Matrix output was used to guide analysis in Section Six, Project Cycle Management Quality.[16]

[13] A single evaluation matrix was developed for both the PR and MTE with common key questions developed to assess MicroLead investments, CSPs and GTIs. Sub-questions were added to address issues unique to MicroLead, including the extent to which MicroLead had integrated into and developed synergies with CSPs. See Inception Report, op.cit., for more details presentation on scoring.

[14] Structured interviews were based on guides developed for each type of stakeholder. The Evaluation Advisory Group was an *ad hoc* group composed of a CGAP representative and the COO of the Mix Market.

[15] See sample in FIPA Portfolio Review/MicroLead Mid-Term Evaluation Interim Report submitted February 29, 2012, where detailed country visit schedules are also presented.

[16] In line with the methodology for the Portfolio Review, management matrix scores were to be included in this evaluation but after scoring the UNCDF Evaluation Unit asked for management to be evaluated via a Project Management Cycle framework and not include scores in the body of the text.

2.3 MTE Work plan

The combined Portfolio Review/MicroLead mid-term evaluation exercise was structured in three main stages:

- Inception (17 Oct – 04 Nov 2011) finalizing the FIPA results framework, the evaluation methodology, scoring and analysis tools, and interview guidelines. An inception report, was submitted in November 2012 and reviewed and approved by UNCDF evaluation unit;
- Desk Review and Field Mission (05 Nov 11 – 31 Jan 2012) including data compilation and documentation review, scoring tools testing/adjusting, and field visits conducted; and
- Analysis and Synthesis (01 Feb – 01 Jun 2012) including data compilation, processing and analysis, and draft evaluation document.

2.4 Limitations of the Evaluation

Several challenges and limitations to the MicroLead Mid-Term Evaluation included:

- Timely access to complete and accurate project and programme documentation;
- Timely receipt of complete/accurate FSP performance data limiting field visit "triangulation";
- Timely access to complete and "cleaned" analyses from FIOL and MIX Market limiting triangulation and reliability of the FSP performance data; and
- The relatively small MicroLead FSP portfolio limiting ability to generalize findings.

A broader limitation, common to evaluations, was assessing changes in macro-outcomes and impacts to particular project outcomes.[17] As a result, it was not always possible to isolate the Fund's contribution to programme performance and achievements. The evaluation addressed this limitation by probing for specific MicroLead additionalities such as: impact on corporate planning, investment timing, funding gaps, stakeholder convening power, and innovative investment structures.

Finally, client-level impact was not possible to assess due to the cost and time required for credible client impact assessments and was precluded from the evaluation. Some proxy impact data was employed including type and volume of microfinance delivered to clients by FSPs. Focus groups provided qualitative impact data.

3.0 MicroLead Programme Profile

3.1 MicroLead Investment Context

MicroLead invested in LDCs as defined by the United Nations.[18] During the past ten years, countries in the MicroLead portfolio showed relatively strong economic growth, with the exception of Liberia. *(See Table 2)* Inflation was historically low for the sample countries (ranging from 4.9% to 17%). Per

[17] Assignment of attribution requires clear estimates of the extent to which observable change is due to the programme interventions, without which attribution (total change less counterfactual change) cannot be established. See DCED: Attribution: Measuring attributable change caused by a Programme, August 2012.

[18] See United Nations for definition and list of LDCs at: http://www.un.org/special-rep/ohrlls/ldc/ldc%20criteria.htm. Where MicroLead has invested in non-LDCs, funding has been disbursed when grantee enters LDC.

capital income is relatively low, with the exception of Bhutan, with the percentage of people living in poverty ranging from 34% in Lao to 88% in the Democratic Republic of Congo (DRC). Lao ranks highest on the UN Human Development Index, while the DRC occupies the lowest ranking, with Sierra Leone and Liberia close behind. The economies of most of the MicroLead investee countries depend greatly on agriculture. Most have little or no industry and many have suffered significant conflicts, including major civil wars ending in Sierra Leone in 2002, Liberia in 2003 and South Sudan in 2005. Conflict in eastern DRC is ongoing with the central government having little control over regional militias.

Low inflation and relatively strong economic performance in most countries provided fertile ground for financial sector development. Commodity exports from most LDCs to China and Germany offset shrinking demand from the US economy during the initial part of the Fund's life. International aid, a significant part of most LDC economies, held during this period. So while the economic context in most investee countries was not ideal, financial markets continued to grow through MicroLead's mid-term (or were at least stable), particularly as the effects of better regulation and competition encouraged expansion, and to a lesser degree, innovation.

Table 2: MicroLead Country Context Overview

Country	GDP Growth 2001-2011 (average %)	Inflation 2001-2011 (average %)	Per Capita Income (2010 USD)	People Living in Poverty (less than USD 1.25/day)	HDI Ranking	Agriculture % Economy	Recent Conflict
Bhutan	8.6	4.9	5,289	10.2% (2007)	141	17%	No
DRC	5.5	16.7	345	87.7% (2006)	187	38%	Regional war, 1996-2001, current conflict
Ethiopia	8.5	13.9	1,033	39% (2005)	174	41%	No
Lao PDR	7.3	7.6	2,543	33.9% (2008)	138	28%	No
Liberia	1.6	9.6	416	83.8% (2007)	182	77%	Civil Wars, 1989 to 1996, 2003
Rwanda	7.4	8.5	1,155	63.2% (2010	166	34%	Civil war 1990-1993, Genocide 1994
Sierra Leone	8.8	13.1	821	53.4% (2003)	180	51%	Civil war 1991 - 2002
South Sudan	5 (2010)	16.7 (01/11)	984	51% (2010)	N/A	n/a	Civil war 1983-2004
Timor Leste	4.7	5.2	921	37.4% (2007)	147	64%	Occupied 1979 to 1999, civil unrest in 2006.

3.2 Programme Description

MicroLead is part of the FIPA portfolio of programmes and contributes to the achievement of the Millennium Development Goals (MDGs) through a variety of innovative approaches to inclusive finance sector development. As of mid-2012, FIPA operates inclusive finance programmes in 28 countries, the majority among the least developed countries (LDCs) in sub-Saharan Africa and Asia Pacific. FIPA traditionally employed a sector-based approach but recently added Global Thematic Initiatives to its portfolio of funds under management. The FIPA portfolio has steadily increased over the years, from a base of 19 FSPs in 2005, to 37 in 2008, and 85 in 2010. The number of clients served rose from 1.7 million in 2008 to 3.5 million in 2010.

3.2.1 Program Overview

Through the sector approach, FIPA identified two gaps in most LDCs financial markets: the absence of i) "market leaders" and ii) market innovators with broad and deep financial outreach (particularly for savings products). LDC markets have few examples of good-practice inclusive finance and markets tend to have limited scale, sustainability and healthy competition. These gaps are most pronounced in conflict-affected countries, where inadequate infrastructure and human resources further limit financial-sector growth.

Box 2: FIPA Meso and Macro Level Support Objectives

At the **meso-level**, FIPA support focuses on building reporting transparency for retail FSPs, notably through ratings, audits, and public performance reporting. UNCDF was the first donor agency to sign on to the Smart Campaign for Client Protection Principles (CPPs). Since 2011, MicroLead's (indeed all FIPA) PBAs have included an encouragement for investees to commit to the CPPs.

As a facilitator, FIPA promotes a consultative process to develop national frameworks enabling stakeholders to coordinate efforts based on comparative advantages. Through its partnership with UNDP, UNCDF is recognized at the **policy level** in many LDCs as a neutral broker with technical competencies relevant to the promotion of financial inclusion and MDGs. Interventions supported at the macro-level have included advocacy, capacity building (training and exposure) for central banks and key government actors aimed at supporting the development of enabling regulations and supervision of the microfinance industry, as well as efforts to increase coordination and coherence among the funders of financial services at country level, including through national Investment Committees (ICs). ICs aim to help coordinate investment decisions, leverage funding instruments, and harmonize reporting requirements from recipient institutions. National policy level advocacy is linked to UNCDF's global advocacy agenda, which is carried in large measure by the UN Secretary-General's Special Advocate for Inclusive Finance for Development (UNSGSA).

In 2008, FIPA identified a trend of strong developing country FSPs willing to expand to other countries.[19] Based on FIPA's experience, including MicroStart, it was felt that new "market leaders" could rapidly establish themselves and scale-up in new markets, offering a variety of products and services while accelerating overall sector development.

MicroLead was designed to fill this gap through the provision of technical assistance (TA) and capital supporting greenfields and existing FSPs focusing on savings services leadership. Greenfield investments include operational support grants to establish (primarily) Southern-based FSPs; existing FSPs received long-term technical assistance (LTTA), grants and/or loans. MicroLead also offered a post-conflict window to support FSPs in conflict-affected countries.[20] Investments were operationalized via PBAs defining contractual performance targets and disbursement milestones.

MicroLead was expected to support market leaders with proven, savings-led business models. The Fund was designed to *complement* FIPA's CSPs, influencing meso and macro level constraints in financial market development both indirectly and directly via targets set out in PBAs, such as TA to sector associations in Ethiopia and Laos. *(See Box 2)* At the macro level, MicroLead has no specific PBA interventions; however, TSPs are expected to have indirect input/influence on national regulatory considerations, particularly in Bhutan, East Timor and Laos (where MicroLead is part of the CSP).

Subsequent to developing MicroLead, FIPA identified other LDC markets gaps, addressing them with other GTIs including YouthStart (youth financial services), Mobile Money and the Poor (mobile financial services), and CleanStart, (environmental practices). MicroLead is expected to generate synergies with these GTIs as they develop.

Finally, MicroLead was viewed as a unique opportunity to generate knowledge and the Fund was mandated to document and publish lessons learned. Knowledge generation was to focus on innovative strategies and approaches to supporting sustainable inclusive finance.

---

[19] See LDC Fund to Develop Savings-led Market Leaders for Inclusive Finance (2008-2013), Mid-Term Evaluation TOR.

[20] The post-conflict window incorporated three investments in South Sudan committed prior to MicroLead start-up (BRAC South Sudan, SUMI and Finance Sudan).

3.2.2 Programme Budget

MicroLead began operations in October 2008 with a budget of USD 27.8 million, of which UNCDF committed USD 7.9 million and USD 19.9 million[21] was contributed by the Bill & Melinda Gates Foundation (BMGF). An additional USD 0.18 million was generated via earned interest for a total of USD 28,023,316. The launch of MicroLead satisfied "Output Number 1 target": the creation of an LDC fund for developing market leaders for inclusive finance. *(See Table 3)* In July 2011, UNCDF raised an additional USD 23.5 million from The MasterCard Foundation for a second phase ("Expansion Programme"), with resources earmarked for underserved LDC and non-LDC countries in Sub-Saharan Africa.[22]

The original MicroLead programme was to provide grants and loans for up to ten FSPs in ten LDCs, disbursed in tranches between 2008 and 2013. MicroLead was expected to add 525,000 net new active clients (savers or borrowers) to investee FSPs by the end of 2013.

MicroLead is managed by a single Program Manager with support from Regional Technical Advisors (RTAs) and Country Technical Advisors (CTAs). Investment decisions are made by an investment committee (IC) composed of senior FIPA managers (BMGF has non-voting IC membership). Regular reports are made to BMGF and FIPA providing programme management accountability and constituting *de facto* Fund governance. Major funding and program decisions are approved by the UNCDF Executive Secretary. MicroLead receives some support from UNDP and UNCDF Programme Officers resident in the countries where it invests.

Table 3: MicroLead (LCD Fund) Outputs and Targets

Outputs	Output Targets
Intended Output 1 An LDC Fund for Developing Market Leaders for Inclusive Finance is established, with 2 windows (savings-led FSPs and Post-Conflict countries).	1. Launch programme in 2008 on a demand basis. 2. UNCDF issues targeted requests for FSP applications when USD10 million funding is available (2008-09).
Intended Output 2 Financial service providers have expanded their operations and services to ten (10) LDC countries, making clear progress toward sustainability and considerably increasing outreach to launch an inclusive financial sector.	3. Increase in the number of active clients of selected FSPs (baseline: 0 active clients: • 60,000 active clients by end 2009 (50% min. target). • 135,000 active clients by end 2010 (75% min. target). • 260,000 active clients by end 2011 (75% min. target). • 360,000 active clients by end 2012 (75% min. target). • 525,000[23] active clients year by 2013 (75% min. target)* 4. At least ten FSPs have received grants and loans are on trend to profitability, in accordance with business plans.
Intended Output 3 Documentation and publication of lessons learned to facilitate scaling-up.	5. Documentation of lessons learned from evaluations and operational experience.
Sources: MicroLead Mid-Term Evaluation Terms of Reference and MicroLead progress reports * Targets taken from: LDC Fund to Develop Savings-led Market Leaders for Inclusive Finance (2008 -2013 – aka MicroLead Prodoc).	

[21] Earned interest on non-disbursed funds of USD 181,345 accounts for the balance.
[22] The Expanded Programme is not included in the mid-term evaluation.
[23] It is expected these FSPs will continue to grow rapidly after the initial 400,000 clients achieved during the programme period.

3.3 Programme Implementation Status

MicroLead supported 20 FIs and two SSOs in nine countries during the evaluation period. Decisions to invest in three FSPs in South Sudan (SUMI, Finance Sudan and BRAC South Sudan) were made by FIPA prior to the launch of MicroLead and subsequently placed in the portfolio with the agreement

Table 4: MicroLead Investment Summary

June 30, 2011	Institution	Date of PBA*	No. of PBAs*	Amount Invested (USD)			FSP	SSOs	Type of Invest-ment		
				Total	Grants	Loans			Green-field	Exist-ing FSP	Post-Conflict
South Sudan	BRAC South Sudan - FSP **	06/11/08	1	2,987,983	1,500,000	1,487,983	1		1		1
	SUMI - FSP **	25/11/08	1	1,000,000	500,000	500,000	1			1	1
	Finance Sudan - FSP **	12/01/08	1	800,000	100,000	700,000	1			1	1
	Equity Bank South Sudan - FSP	12/09/09	1	2,500,000	2,500,000	0	1		1		
Sierra Leone	BRAC SL- FSP	22/10/09	1	1,000,000	1,000,000	0	1		1		
Liberia	BRAC Liberia - FSP	22/10/09	1	1,000,000	1,000,000	0	1		1		
DRC	OISL DRC - FSP	22/10/09	1	2,500,000	2,500,000	0	1		1		
Bhutan	BDBL - FSP BASIX - TSP	12/03/09	1	1,778,157	1,778,157	0	1			1	
Timor-Leste	TRM BASIX - TSP	12/01/09	1	897,595	897,595	0	1			1	
Lao PDR	Eight (8) FSP CARD- TSP ***	12/06/10	1 (1 PBA directly with CARD the TA service provider who had 8 with 7 FSPs and 1 SSO	1,337,611	1,337,611	0	8			8	
	MFA - SSO CARD - TSP							1			
Sub total			**10**	**15,801,346**	**13,113,363**	**2,687,983**	**17**	**1**	**5**	**12**	**2**
Post June 30, 2011 – added to Evaluation at UNCDF's request											
Ethiopia	2- FSPs BASIX - TSP	28/07/11	2	1,693,944	1,693,944	0	2			2	
	AEMFI -SSO BASIX - TSP		1					1			
Rwanda	Equity Bank Rwanda - FSP	09/11/11	1	2,000,000	2,000,000	0	1		1		
Subtotal			**4**	**3,693,944**	**3,693,944**	**0**	**3**	**1**	**1**	**2**	**0**
Total			**22**	**19,495,290**	**16,807,307**	**2,687,983**	**20**	**2**	**6**	**14**	**2**

*Performance-based agreement (PBA)
** Funding agreement made prior to MicroLead start up.
***CARD has a separate performance based agreement with UNCDF. CARD has a separate performance based agreement with each of the eight financial service providers and one SSO it supports. UNCDF considers this as one project with one implementing partner.

of the BMGF. The average duration of investments is 4.2 years (from PBA signing to termination) and totaled USD 15.8 million, of which USD 13.1 million was provided as grants and USD 2.7 million as loans. Three investments were made to Techical Service Providers (TSPs) : BASIX of India in Bhutan and in East Timor, and CARD in Laos. BASIX signed PBAs directly with MicroLead, while CARD signed a MicroLead PBA and then signed PBAs with eight FSPs and a SSO.

MicroLead does not make direct investments at the macro-level, although integration in the Lao CSP which partners with the Bank of Lao, will contribute to the macro-level directly. The East Timor CSP and MicroLead's investment in TRM maintain a similar though less formal relationship. Two investments made after the first evaluation date cut-off (June 30, 2011 - Equity Bank Rwanda and BAXIS in Ethiopia) totaled USD 3.7 million (grants) bringing the portfolio to USD 19.5 million, of which USD 16.8 million is grants and USD 2.7 million is loans.

Table 5: Disbursements and Commitments

Country		Originally Committed	Committed after Suspensions	Disbursed as at June 30 2011
Bhutan	BASIX-BDBL*	679,116	679,116	478,839
	BDBL	1,099,041	1,099,041	755,995
DRC Congo	OI DRC	2,500,000	2,500,000	2,000,000
Etiopia	BASIX Ethiopia (disb. in July 2011)	1,693,944	1,693,944	719,519
Laos	CARD Laos	1,337,611	1,337,611	561,350
Liberia	BRAC Liberia**	1,900,,000	1,000,000	1,000,000
Sierra Leone	BRAC Sierra Leone**	1,900,000	1,000,000	1,000,000
South Sudan	BRAC SS grant	1,500,000	1,500,000	1,500,000
	BRAC SS loan	1,487,983	1,487,983	1,487,983
	SUMI grant***	500,000	450,000	450,000
	SUMI loan	500,000	500,000	500,000
	Finance Sudan grant	100,000	100,000	75,000
	Finance Sudan loan	700,000	700,000	700,000
	Equity South Sudan	2,500,000	2,500,000	1,875,000
Rwanda	Equity Rwanda (disb. in Dec)	2,000,000	2,000,000	500,000
Timor Leste	BASIX-TRM****	969,595	969,595	619,344
	Subtotal	**21,367,290**	**19,517,290**	**14,223,030**
Not Included in Analysis but committed				
Laos	ACLEDA	500,000		
Tanzania	Equity Tanzania	2,000,000		
Pacific Islands	Westpac	645,000		
	Subtotal	3,145,000		
	Total Commitments	22,662,290		
	Total Available for financial service providers*****	23,172,553		
	Remaining to Commit	**510,263**		

* Part of the performance based agreement funding goes to BASIX directly and part to BDBL.
**Grants suspended and final USD 1.8M or USD 0.9M each not disbursed.
*** Grant suspended and final USD .05M not disbursed.
**** Does not include country-level sector programme INFUSE co-funding of USD 271,728.
*****The balance of funding available from the total USD 28,023,316 is dedicated to fund management and feasibility study grants.

3.4 Financial Status of MicroLead Management

The MicroLead budget has been conservatively managed and the Fund has met with minor variations in budget expectations. Material budget variations were modest and related to grant timing, not operating cost overruns. *(See Table 6)* Non-investment expenses through 2010 accounted for 14% of all funding.[24]

Table 6: Budget and Expenses to December 31, 2010 *

	Budgeted to 2010	Actual Expenses to 2010	Variance	Budgeted to 2010 as % all Expenses	Actual Expenses to 2010 % of all Expenses	Projected Expenses % of all Expenses to 2014
Personnel and Benefits	527,936	527,936	0	6.%	3.50%	8.1%
Operating & General Management	202,870	232,167	-29,297	2.3%	1.50%	5.7%
Grants and Loans	6,941,770	12,934,561	-5,992,791	79.1%	85.60%	79.6%
Total Indirect Costs	1,099,000	1,411,375	-312,375	12.5%	9.30%	6.5%
Total Costs	**8,771,576**	**15,106,039**	**-6,334,463**	**100.%**	**100.00%**	**100%**

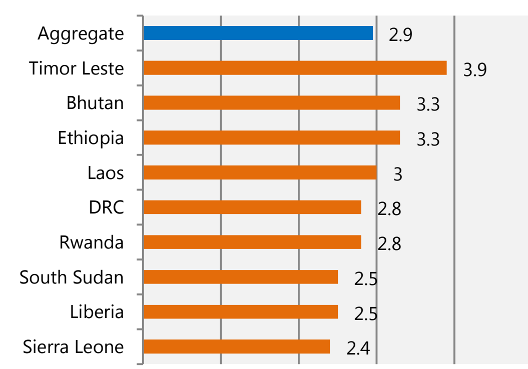
*Most recent budget data available. Source: BMGF Annual Report 2010.

4.0 MicroLead Programatic Evaluation Findings

The evaluation methodology determined MicroLead's overall performance score against its original objectives to be "Acceptable/Good" (2.9), with variations by countries, ranging from "Acceptable" (2.4) to "Good" (3.9). (See Appendix 1)[25] Timor-Leste, with its relatively small outreach but high net-positive change on most performance indicators, scored a high Good (3.9). Bhutan, Lao PDR, and Ethiopia also scored relatively well. Programmes in Liberia and Sierra Leone have substantial challenges and scored low. South Sudan's composite score of Acceptable (2.5) spans a complex portfolio with some strengths and many weaknesses (i.e., Equity Bank had good performance, but unverifiable at mid term levels of low-income market outreach;[26] Finance Sudan demonstrated recent improvement but SUMI is basically insolvent; and BRAC had good outreach but highly unsustainable financial performance).

Figure 1

Overall Programme Score by Country



[24] Note: indirect costs are primarily composed of UNCDF grants and year one start-up costs. 2011 financial accounts were not available during the evaluation research and drafting phases.

[25] Recall MicroLead's programme performance was reviewed and scored with respect to each of the five Development Assistance Committee (DAC) criteria: relevance, effectiveness, efficiency, impact and sustainability. Performance on a scale from 0 to 5 (0= Exceptionally Poor, 1 = Unacceptable, 2 Acceptable, 3 = Good, 4 = Very Good, and to 5 Exceptionally Effective). Scores were consolidated at the country level, yielding an overall programme score for each criterion (see example in Appendix 3).

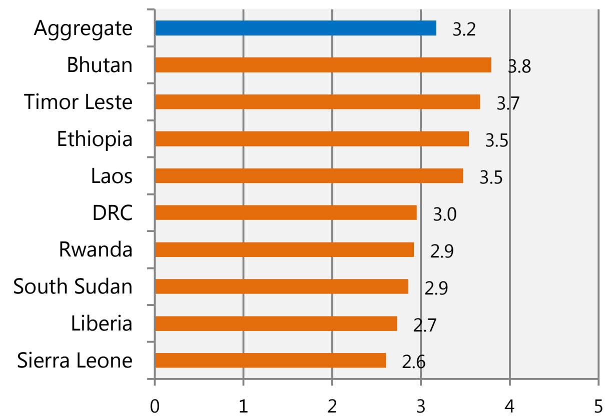
[26] Equity Bank South Sudan savings account size data was received in May 2012 after the first draft of the evaluation had been submitted. It disaggregated accounts by account size and showed over 80% of accounts for 20% of savings volume were of small size. Branch visits, focus groups, and management interviews did not provide information suggesting these accounts were from low income clients compared to those served by the other three MicroLead-supported South Sudanese FSPs (assessed in the same manner).

4.1 Relevance

Programme Relevance reflects how well programme investments align with the UNCDF mandate and, more broadly, with related donor, partner, and government strategies. It also assesses "additionality" or the unique value a MicroLead investment brings to the inclusive finance sector and programme objectives alignment with investee needs.

Overall relevance was Good (3.2). Individual investment scores ranged from Acceptable (2.6) to Good (3.8 - see *Figure 1)*. Asian programmes and Ethiopia scored Good with all others scoring Acceptable or below. *(See Figure 2) Figure 3* provides scores for Relevance Key Questions, each of which is assessed in turn below.

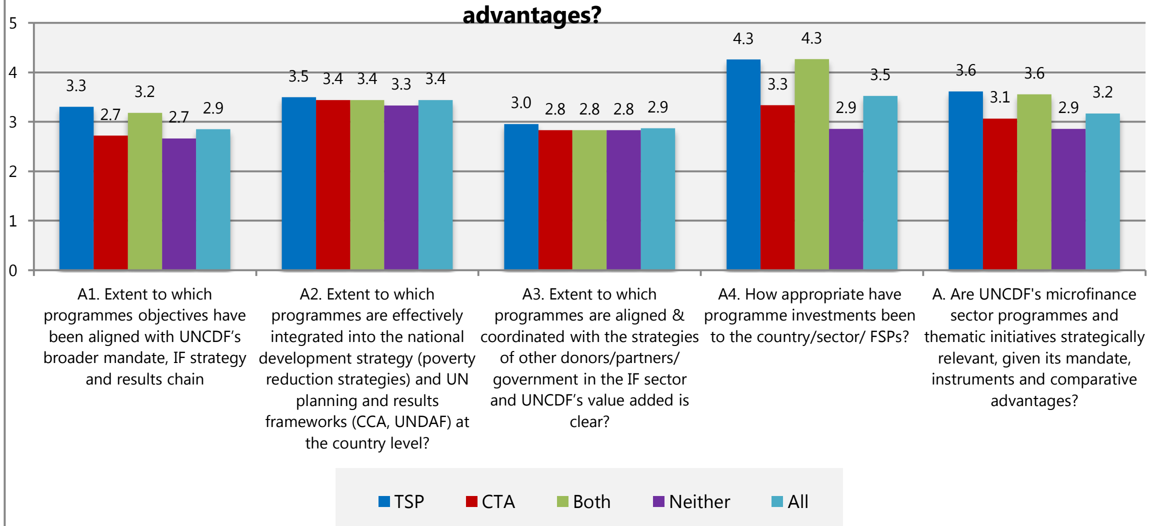
Figure 2
Programme Relevance



A1. Extent to which programmes objectives have been aligned with UNCDF's broader mandate, IF strategy and results chain. Sub questions score Acceptable (2.9)

MicroLead's mandate is to support inclusive financial sector development in least developed countries by introducing savings-focused products into the market. This mandate and strategy remain broadly relevant, however, to some extent Fund design did not distinguish between more immature markets, where a more traditional "bricks and mortar" branch expansion remains relevant, and more mature markets, where electronic/mobile banking innovations are on the verge of leapfrogging the industry forward.

Figure 3
Are UNCDF's microfinance sector programmes and thematic initiatives strategically relevant, given its mandate, instruments and comparative advantages?



Box 3 - Relevance and Risk

Relevance demands MicroLead consider both financial and development risk. Financial risk refers to the potential that an investment might fail to produce anticipated financial returns. In conventional terms this refers to "losing money"; in development it refers to an investee remaining dependent on donor funding (i.e., does not become sustainable).
MicroLead took substantial financial risks in SUMI and Finance Sudan, for example (young unproven FSPs operating in post-conflict South Sudan). Investments in large, proven commercial entities like Equity Bank, by contrast, offer less financial risk (deep capital pockets, experience, strong governance, established procedures, etc.).

In this sense, financial risk is expressed as the sum total of risk offered by investments. Within a portfolio there are two other important types of financial risk. The first is covariant risk, where several investments are exposed to a common hazard. MicroLead has taken substantial covariant risk by investing 20% of its portfolio in South Sudan with its potential political and economic instability (e.g., all FSPs are equally subject to the same exogenous economic shocks). The second is concentration risk, where a significant portion of a portfolio is concentrated in an single entity: MicroLead's investments in BRAC, with its sparse African experience yet four start-ups on the continent simultaneously, is a form of concentration risk.

While it is relatively straightforward to assess financial risks, assessing development risk is more difficult due the evolving nature of the sector (and because its outcomes are seldom cast in terms of risk). Development risk is the potential that an investment does not achieve its desired development outcomes. For MicroLead this risk is broadly defined by the Intervention Logic Diagram, page 13 and, more specifically, by a FSPs Performance Based Agreement (PBA). Risk for MicroLead, in this sense, is closely connected to *additionality* and *value-add* (see below), that is, what does the Fund bring to an investee that it would not otherwise have had?

A key development risk in this sense is the relevance of and differential risks of investing in smaller institutions in markets where the bricks and mortar models might soon to be challenged by larger mobile banking outfits. Why would MicroLead invest in both types of FSPs in a given country? Do brick and mortar FSPs offer something electronic/technology investments do not? What is the additionality of investments smaller institution investments (e.g., how do they provide leadership?)

Operating on the cusp of sector change, it is not surprising that MicroLead has appropriately taken development risk on both "young and promising "FSP" (e.g., XMI and EMI in Lao) and technology based FSPs (e.g., Equity Bank in Rwanda and South Sudan). From this perspective, the Fund has made relevant investments. But it has also made *both types of investments* in the same country (Laos and South Sudan). The absence of IC recognition of this approach suggests it is not necessarily a conscious strategy. Second round investments Buusa Gonofaa and Wasasa (Ethiopia) in Ethiopia are also inconsistent with a clear recognition of the evolving context. These medium-sized FSPs will likely grow their savings portfolio, but it is unlikely they will become "market leaders" as they must compete with larger and better financed competitors (government owned ACSI and Oromia), both of which have demonstrated innovative capacity and are set to become electronic/mobile banking leaders. That Buusa and Wasasa are privately owned is a plus, but it is unclear from documents and experience how this would lead to market leadership of substance.

On balance, MicroLead has not consistently assessed evolving financial sector context as it relates to relevance. Over mid-term this will be vital to ensure continued high relevance.

Finally it is notable that FSP performance was better where investments were aligned with the FIPA mandate and results chain, confirming the continued relevance of FIPA objectives.

Gender and the Environment Relevance

The Fund's only systemic gender requirement is that 50% of investee clients should be women. While there are no targets beyond this, empowering women should not stop at access. Given UN commitments to gender, MicroLead should aim higher by encouraging FSP to take heed of the specific financial needs of women (e.g., flexible term accounts allowing emergency withdrawals, credit terms and payments for women business needs, convenient meeting times/places, etc.). FSPs are also often among the most important businesses in low income economies and are important role models. Women should be seen in executive positions in these institutions, and female senior managers and board members targets should be set in PBAs.

Similarly, Funds like MicroLead should address the interrelated nature of poverty and environmental sustainability. Environmental considerations are not part of MicroLead's mandate and did not enter into decision-making or PBAs. If FIPA funds like MicroLead wish to remain leading edge poverty alleviation relevant, they must expand environmental concerns. The Clean Start Fund is a good example though environmental considerations could be integrated in all funds (e.g., minimum environmental investment screens and environmentally friendly product/service development etc.).[27]

A2. Extent to which programmes are effectively integrated into the national (poverty reduction) development strategy & UN planning and results frameworks at the country level? Sub questions score Good (3.4)

MicroLead investments are relatively well- aligned and complement national poverty reduction and UN national development plans/strategies (e.g., CCA, UNDAF) scoring Good (3.4). There are some instances where UNDP programming overlaps with MicroLead investments and synergies are possible or conflicting priorities avoidable (e.g. UNDP interest in self-help groups in East Timor). Given MicroLead makes focused or single investments in most countries such instances are uncommon.

Fund investments have the potential to address several specific market gaps, including those for products/services, capital, TA needs, and outreach. Scores for each country ranged from Very Good (4.0) to Acceptable (2.0), averaging Good (3.7), indicating MicroLead fills one or two market need per investment. In Laos, MicroLead provides international good practice TA and supports savings mobilization in four small FSPs who are the only local service providers. In South Sudan, MicroLead replaced capital and operational grants from another funder for two FSPs. In Sierra Leone, the Fund scored lower (2.0) as it funded a BRAC start-up which the UNCDF CSP and the Government of Sierra Leone considered to be in competition with several smaller FSPs and a ProCredit greenfield.

Interestingly, FSP financial performance tended to be positive the more they were aligned with FIPA and hence MicroLead's development objectives. There were no such links between alignment with national development frameworks or donor coordination, suggesting identifying investments aligned with FIPA targets is a sound investment strategy. Obviously, MicroLead must consider other donor and national government programmes to ensure sound communications and complementarity issues to maximize relevance and enhance potential synergies, however, perhaps not to the extent required of CSPs.

A3. Extent to which programmes are aligned and coordinated with the strategies of other donors/partners/ government in the IF sector and UNCDF's value-added is clear? Sub questions score: Acceptable (2.9)

MicroLead's record of consulting and coordinating with other stakeholders in project design is uneven, scoring Acceptable at 2.9. In part this is by design, as MicroLead is a centralized fund without committed on-the-ground resources; it must rely on FIPA CSPs, RTAs, or other UNCDF

[27] Note: while the Fund scored relatively low on environmental and women's empowerment, both Overall and Relevance scores did not vary materially when controlled (i.e., women and environmental scores were not included in calcuations) for these issues.

personnel. This perceived/proposed "competitive" advantage has not been fully exploited, save in some instances such as the facilitation of government investment approval in Rwanda (CTA) and Ethiopia (ILO/UNCDF microinsurance point person).

The Fund also had uneven success communicating investment objectives to some CSPs, resulting in misunderstandings and reducing local stakeholder investment buy-in/support. In Liberia and South Sudan, some stakeholders felt MicroLead made parallel, competing investments. Donor coordination has been similarly uneven. Investments in Laotian MFIs via the CSP complemented GIZ's focus on credit unions, but in Sierra Leone, the CSP TSP for MITAF 1 was not well informed about the Fund's decision to invest in BRAC. The TSP recorded that investment did not complement its own USD 1M investment in a ProCredit greenfield (cited above) and affected its credibility with the government. In the transition to MITAF II, the CSP helped MicroLead monitor the investment, and produced a policy note limiting regulatory barriers to BRAC's savings transformation.[28]

In countries where CTAs or TSPs are motivated to represent MicroLead, coordination has been more effective. CTAs, RTAs and to a lesser extent TSPs in such markets are the *de facto* MicroLead ground support (as recognized by the as of yet not fully operational Inter-programme Coordination Matrix developed by UNCDF in 2010). In these cases, effective coordination underscores the need for well-defined roles and responsibilities for all parties to maximize FIPA team support through the project design and setup process. Operating in this way will encouraged greater information sharing and complementarity planning between MicroLead, FIPA staff and other donors.

A4. How appropriate have programme investments been to the country/sector/ financial service providers? Sub questions score Good (3.5)

MicroLead scored well on how appropriate programme investments have been to country, sector and, to a lesser extent, FSP development. Scores for identifying/addressing market/FSPs needs and absorption capacity, choice of intervention, and industry development gaps were among the highest for the evaluation, and investment objectives that were relevant during design have largely remained valid. Notably, there was a link between FSP performance and programmatic relevance to financial sector development: that is, the more relevant an investment was to sector development, the more successful the FSP.

The Fund's ability to meet investee financing needs supporting successful performance was uneven. In the first round of investments, USD 22M funding was requested, which, after negotiation was reduced to USD 18M. Reduced budgets for BRAC in Africa may not have been sufficient and might have benefited from long and/or short-term consulting support and oversight. By contrast, long term TA (LTTA) via TSPs seems to have met the needs of TRM in Timor Leste and MFIs in Lao. Loan capital to FSPs in South Sudan (save Equity Bank) met a liquidity need, but direct grants were needed to augment LTTA. The extent to which MicroLead's grant to Equity Bank in Rwanda and South Sudan met a specific need is unclear, and MicroLead's relevance, as judged against additionality, as a result, was lower.

Relevance of Investment Types

The relevance of greenfield versus TSP investment depended on market needs. In larger markets, such as DRC with few established leaders, a savings focused greenfield filled a market gap. In smaller markets such as Timor Leste and Bhutan, the introduction of an international greenfield would have market distorting effects (as reported by stakeholders involved in the CSP in Sierra

[28] It should be noted that the ProCredit greenfield had failed in the interim between MITAF I and II.

Leone). In these markets, a TSP model supporting established FSPs is likely more appropriate. It is notable that TSP investment relevance (Good – 3.6) was higher overall than greenfields. Stakeholder interviews support the view that TSPs have a better capacity to assess broader institutional, market and sector needs than greenfield FSPs, whose narrower interests are shaped by business models as much as market needs.

Within the sub-group of greenfield investments, Equity Bank's commercially-oriented model scored as more relevant than BRAC. This is consistent with a strong financial incentive for Equity to adapt its model in new (but neighbouring and better known) markets, strong management capacity/experience, and deep financial resources.[29] High average loan and deposit sizes (USD 5,327 and USD USD 2,341) after three years in South Sudan confirm that the bank had been driven by profitability over a lower income market focus, however. BRAC's poor financial performance, by contrast, was caused by poor adaptation of its model to local conditions, compounded by slow provision of savings services, stretched management capacity and corporate attention paid to numerous, multimillion dollar non-financial service programmes.

Post-conflict investment in South Sudan (SUMI, Finance Sudan and BRAC) scored below average. This may have more to do with the FSPs receiving loans and grants, where LLTA was probably more appropriate as it probably was in Sierra Leone and Liberia also post-conflict contexts.

Additionality

Additionality is critical to fund relevance. Defined as the net-positive *difference* resulting from an intervention, additionality causes an activity to take place, or for its outputs, outcomes to be larger in scale, to take place faster, or to be of higher quality than if it did not occur.

MicroLead has a mixed additionality record, scoring Acceptable (2.7) overall and Unacceptable (1.9) for the extent which it added to UNCDF CSPs and GTIs, and Acceptable (2.1) for FSP or sector development.[30] More additionality was found where the Fund was a relatively larger investor, was a main investor, or had 'first mover' advantage. In Bhutan, MicroLead is BDBL's only substantial funder, and it is a key funder of four (initially eight) deposit and non-deposit taking MFIs and Savings and Credit Unions (SCUs) in Lao PDR. In Ethiopia, MicroLead is not a large donor but was the first to support international TSP led LTTA, setting a precedence in a country with tight economic controls and limited microfinance training/TA capacity. Support to AEMFI in Ethiopia will diffuse training beyond the two FSP investees. Together with UNCDF/ILO microinsurance activities, YouthStart (two investments) and a to-be-conducted FIPA-led financial sector analysis, MicroLead investments have created good additionality, synergy and a basis for a potential future Ethiopia CSP.

Additionality in other African countries was quite low, with only two country investments scoring higher than Unacceptable. Liberia scored Good (3) as BRAC quickly became the country's largest MFI (even if it failed to meet MicroLead financial targets or to offer legal savings products. Very little additionality could be found related to Equity Bank investments in Rwanda and South Sudan. In both countries, MicroLead investments were appreciated by Equity but in neither country could senior managers express what they did differently because of MicroLead funds (indeed they were unable to even account for use of funds). In Rwanda, Equity Bank Senior Managers claimed

[29] Commercial incentives for strong performance inherent to holding companies are associated with better performance than TA interventions to FSPs provided by non-profit partners. See e.g. IFC: Tor Jansson & Marie-Paule Claes: Microfinance Portfolio Review – Greenfielding, IFC internal presentation, May 2009.

[30] Three sub-questions in the Programme Performance Scoring matrix directly assessed the MicroLead additionality effect: two related to sector development and one to financial service providers.

MicroLead funding paid to have staff trained in its home market of Kenya: there was no convincing evidience or consistent understanding among Senior Mangers to support use of funds or value added. Management struggled to define the need for MicroLead funding given the bank's recent USD 200 million plus initial public offering on the Kenyan stock exchange and long standing public intention to expansion regionally.

Relevance and "Feet on the Ground"

As relevant investment design is related and sensitive to quality information inputs, the evaluation examined the relationship between FIPA presence or "feet-on-the-ground" and programme relevance. Again, "Feet-on-the-ground" refers to FIPA having dedicated UNCDF personnel in country during a significant portion of the investment design (or duration). The term includes TSPs (which design investments), as well as CTAs and FIPA point people such as the FIPA/ILO microinsurance point person in Ethiopia. More on-site personnel (to a point) *should* improve decision making: that is, where there are FIPA staff familiar with and actively engaged in supporting a market, higher quality design inputs and investment management should result. And indeed, the evaluation found higher relevance scores in those countries with the presence of both CTAs and TSPs than in those with just a CTA or a TSP, or no 'feet-on-the-ground' at all. (See Figure 3 above)

Relevance Assessment

MicroLead scored relatively high on relevance. The evaluation found programmes that were well aligned with FIPA's objectives had better FSP performance. It also found where investments where more aligned with sector needs, they were considered more relevant and generally had better FSP performance. By contrast, higher programme relevance was not linked to other donor and national poverty development programs interests. Other stakeholder interests need respect but findings suggest that in the centralized *modus operandi* of MicroLead, alignment with UNCDF development chain, and identifying sector needs play a stronger role in defining investment relevance.

Findings also suggest that more on-site human resources improves MicroLead's ability to identify the development/risk nexus, or the complex set of interrelated variables defining relevance and, it would seem, enhance FSP performance. Information input quality also seems related to long term vested programmatic interest; that is, TSPs who design and implement programs, combined with engaged on-site UNCDF staff.

Maximizing relevance also requires MicroLead to remain at the leading edge of inclusive finance sector development, especially with regard to electronic/mobile technology. MicroLead began life when electronic/mobile banking for inclusive finance was in its infancy, and the definition of *relevance* at both the sector and FSP level was evolving relatively quickly. Finding both types of FSPs in the MicroLead portfolio is not surprising as a result. A more conscious distinction between these two models is required in the mid-term, if the Fund is to maximize investment relevance.

Careful attention to additionality is also required. MicroLead's investment "additionality" in Equity Bank's electronic/mobile strategy is not at all obvious and/or significant. Investment, in this case would have been more relevant if it had caused the bank to do something it would not have done otherwise (e.g., more rapid application of electronic/mobile plans over provision of general start-up operating funding).[31] A more conscious due diligence analysis, targeting and measurement of additionality would prove and ensure greater additionality.

[31] A modest capital investment and substantial regulatory change investment by the UNCDF South Pacific programme (PFIP) out of Fiji did, by contrast, clearly leverage Digicel into providing basic mobile banking services. Wespac Bank supported by MicroLead will soon follow suit. This latter investment is not included in the evaluation time frame.

Risk and additionality are related, and there is risk in investing in any type of FSP. Beyond basic FSP financial risk, it is unclear whether MicroLead assessed which types of risk to take would be most advantageous to its development mandate, including electronic/mobile or TSP versus greenfield investments. Broader analysis might also help steer the Fund from covariant risk as well.

Finally, more women empowerment and environmental targets/measures would enhance Fund relevance. Gender and environmental expectations need not be formalized, but could be incorporated as PBS "soft targets" or targets that are encouraged and reported on but not required.

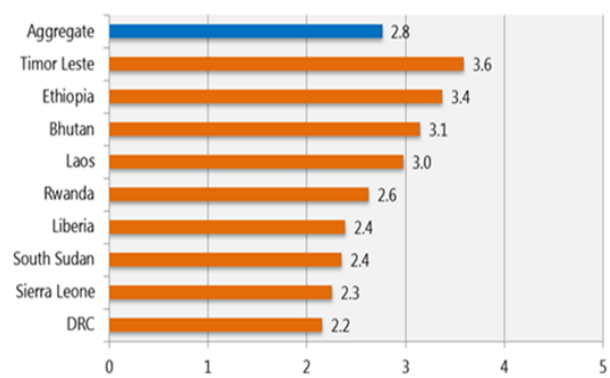
Relevance Recommendations

- Ensure future investments have multiple, vested programmatic and expert input to design (e.g., CTAs and TSPs with accountability structures and or contractual responsibilities to support and or execute PBAs).
- Carefully evaluate the relevance of greenfield investments, taking into account the relative advantages of different kinds of risk-taking related to business models.
- Ensure MicroLead investment strategy is well aligned with FIPA mandate and intervention logic, as well as a projected evolution of the target inclusive financial sector development.
- Develop a quantitative due diligence tool to systematically identify and measure all types of investment risk and FSP/sector additionality expectations.

4.2 Effectiveness

Figure 4

Programme Effectiveness



The evaluation analysed the extent to which intended outcomes had been or were likely to be achieved at the micro or retail level particularly, but at the macro, meso as well. Analysis assessed the extent to which investments supported overall investment goals specified in investment agreements, and the degree to which investments contributed to changes within FSPs and other partners. Effectiveness assessed in this case, procedural and product/service changes within grantee institutions supporting expanded and sustainable outreach with an emphasis on savings. Some direct (PBA targeted) and indirect meso and macro level development was also expected.

MicroLead's overall effectiveness score was Acceptable to Good (2.8). Assessment did not find systemic, programme-wide implementation challenges but did suggest more human resource capacity is required to address specific challenges, seize opportunities, improve overall implementation and enhance decision-making. *Figure 5* shows the scores for Effectiveness Key Questions assessed in turn below.

B1.1 Extent to which the programmes are achieving their specific objectives and results (outcomes) at retail level *and* B 4 Extent to which programmes have supported significant

changes in systems and processes in counterpart organizations? Scores: B1 Acceptable (2.8) and B4 Acceptable (2.9)

MicroLead investment agreements spell out specific objectives and outcomes FSPs must meet. Meeting objectives often requires substantive changes on the part of FSPs leading to good practice management, or, systems, process and product/services offering change – particularly in relation to savings.

The extent to which MicroLead investments are on track to achieving their specific objectives and results at the retail level are detailed in sections 4.4 and 4.5 impact and sustainability, which find that with the exception of two institutions, Equity Bank South Sudan and BDBL in Bhutan, savings and credit outreach target performance has been weak overall. The following assessment focuses on other relevant observations for questions B1 and B4.

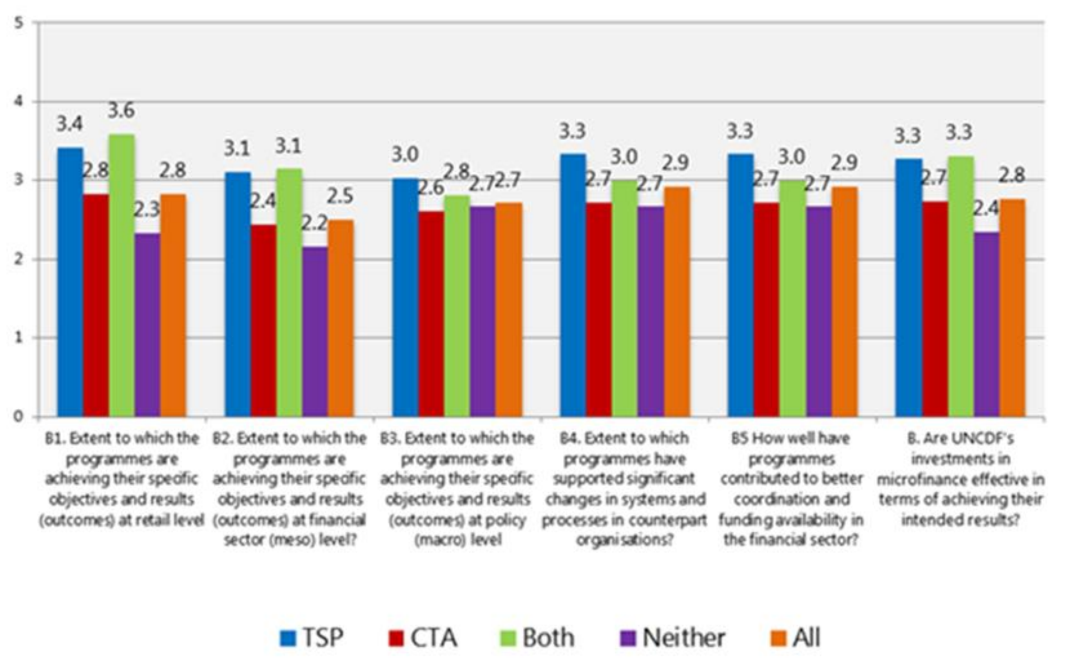
Product/Services Change

MicroLead's contribution to the development of new FSP products and services had been limited. Granted, several FSP have only begun to implement PBAs (Laos, Ethiopia, and Rwanda) and it is early to expect substantial change. To date, however, there has been no significant credit or saving product innovation, and most service offerings are fairly standard 'off the shelf' types. Only two institutions have seen significant savings services growth, BDBL in Bhutan and Equity Bank South Sudan.

Figure 5

Programme Score

Are ML's investments in microfinance effective in terms of achieving their intended results?



There are some bright spots. TSPs in Bhutan and Ethiopia have kept FSPs focused on savings service development. BDBL, for example, has seen significant procedural changes in internal audit procedure, a precondition to introducing complex savings services. Comprehensive TSP-led market reviews in both countries helped FSPs design new savings products. This led BDBL to develop "new" savings products (e.g., youth, education, etc.) based on existing products (requiring little MIS/process change). Individual savings products will help BDBL avoid liquidity crunches and rely on crisis institutional raising funding. The TSP has supported similar processes at TRM in Timor-Leste.

BRAC's experience is different. Initially it saw good credit growth in its three country programmes though relatively rapid expansion did not yield anticipated portfolio quality required for sustainability. BRAC's business model/methodology was not successfully adapted to local markets (leading to serious PAR_{30}/operating challenges in Sierra Leone and Liberia, and even more critical problems in South Sudan). Credit growth has been reversed and branches closed in South Sudan and Liberia; planned transformation to savings-led FSPs has not occurred.

SUMI and Finance Sudan faced similar problems, for different reasons. SUMI, the only nationally-managed FSP in MicroLead's South Sudan portfolio, was unable to take advantage of initial growth to develop good practice procedures. More importantly, it did not work to resolve underlying governance and management shortcomings as credit portfolio problems arose (despite substantial support from USAID). An intransigent Board consistently overvalued assets and market position, rejecting common sense (if difficult) restructuring proposals. Prospective buyers/supporters such as ACCION International were rejected and the institution is now essentially bankrupt. Finance Sudan, by contrast, has overcome similar challenges with the guidance of its Kenyan-based owner, MicroAfrica.

Geographic market development has similarly been limited, with primarily infill of existing urban and peri-urban markets. BRAC in Liberia, Sierra Leone and South Sudan reached new rural markets with credit but not saving services.

Income/Capital Access

FSPs with smaller asset bases or access to on-lending capital have had more success developing savings products. In Ethiopia and Bhutan, and to a lesser extent in Lao and East Timor, the promise of low cost savings capital provides a significant incentive for savings development. TSPs with clear terms of reference for savings promotion and no immediate loyalty to institutional models/strategies also seem to be a positive force.

To the contrary, BRAC South Sudan was able to replace MicroLead funds lost to the Nile Bank solvency crisis with funding from BRAC corporate. Nevertheless, in Sierra Leone and Liberia, BRAC demonstrated little commitment to transformation. It is possible that an adequate capital base and relatively easy access to capital, compounded by limited management capacity and limitations of BRAC's trademark income-generating credit-led development approach, delayed transformation to savings institutions.

Boards are Important

Evidence also suggests that governance can be important to implementing effective change. Managing four start-ups simultaneously in Africa requires strong governance and local management. Equity Bank had both: BRAC had neither. Finance Sudan had good governance and its performance trends are more positive: SUMI did not and it is insolvent.

Business Model Adaptation

The evaluation found that not all greenfield models respond to MicroLead investments in the same way. BRAC and OI have not transformed to savings institution. The ability or incentive to transform was dramatically underestimated particularly given the challenge of establishing a greenfield and/or the need/distraction of credit-based income. In the case of Equity, fee and foreign exchange income was a first priority over targeted low income services. TSP-led investments, by contrast, have had success promoting savings. This is due in part to PBA agreements which have TSPs accountable for savings outcomes and, in part to strong technical knowhow. Stakeholders indicated TSP planning also tends to be clear, detailed and disciplined.

More generally, the evaluation found that the success of "South-South" linkages for greenfields was uneven. Equity Bank did establish successful commercial banks in Rwanda and South Sudan, whereas BRAC had significant challenges in Sierra Leone, Liberia and South Sudan. OI Ghana was to manage the OI DRC investment originally, but this was reverted to OI International after negotiation. With so few examples it is not possible to generalize; however, it is notable that Equity is expanding regionally into relatively well-known markets after a challenging time establishing its first international venture in Uganda with significant lessons learned, whereas BRAC was expanding a continent away in unfamiliar markets.

B2. Extent to which the programmes are achieving their specific objectives and results (outcomes) at financial sector (meso) level. Scores Acceptable (2.5)

While there are only two MicroLead PBAs with prescribed meso level targets (Lao and Ethiopia), other investments were intended to have some "indirect" meso level effects. In Ethiopia, AEMFI provided open trainings to MFIs, with the first of eight MicroLead funded courses taking place in December, 2011. While trainings are important for the diffusion of good practice FSP management, MicroLead gaining GoE approval for an *externally funded* foreign/international LTTA provider in the country is an important precedence, and should raise good practice standards and encourage more use of TA.[32] It will also enhance the advocacy position, coordination/convening power, and knowledge base of AEMFI. In Lao, the extent to which the Microfinance Center (MFC- a privately owned training/TA provider) will diffuse good practice is unclear as the programme has just begun. Notably, there is a potential conflict of interest between MFC and provision of good practice to other FSPs as its Managing Director is also Managing Director of EMI, a leading but still small Laotian FSP (also supported by MicroLead via CARD).[33]

MicroLead's relatively low meso level effectiveness score is due partly to a lack of formal objectives and resulting limited effort by investees. Equity Bank in South Sudan and Rwanda, for example, has not been actively involved in local sector associations, despite the promise of obvious strong leadership potential. In Sierra Leone, BRAC has had limited interaction with the CSP programme despite encouragement by the CSP TSP, though this appears to be changing. Indeed, there is little evidence that "good practice" FSP leadership at the meso level has diffused beyond grantee institutions, save those countries where FIPA has active ground presence supporting MicroLead (e.g., Rwanda, Ethiopia and Lao) but, as noted, even in these countries diffusion had been limited.

B3. The extent to which the programmes are achieving their specific objectives and results (outcomes) at policy (macro) level. Score: Acceptable (2.7)

MicroLead PBAs do not specify macro level outcomes even as the Fund aspires to have indirect influence at this level (e.g., particularly around savings regulations). Modest impacts are noticeable and instructive, however, where MicroLead investments are substantial or where the Fund works closely with governments. Investments in the Lao CSP have influence on government promotion of good practice in the sector. In Bhutan, BDBL (government owned) and BASIX maintain close contact

[32] Other TSPs work in Ethiopia but with all funding going to local institutions. The MicroLead programme has the majority of funding going to the TSP BASIX of India, with little going directly to Ethiopian organizations.

[33] CARD included MFC in its proposal (along with eight FSPs) and the two institutions had worked together closely in the past. It is unclear from available records how much due diligence was applied to the inclusion of MFC in CARD's portfolio.

with the government and both have substantial input to the Royal Monetary Authority of Bhutan's efforts to create inclusive finance policy. In South Sudan the ineffective SSMDF is a lost opportunity to support the South Sudanese government's efforts to introduce inclusive finance policy and law.

B5 How well have programmes contributed to better coordination and funding availability in the financial sector? Score: Acceptable (2.9)

MicroLead recognizes the strategic role of funding coordination, but has no specified targets in this respect. Neither does it specifically track incoming FSP capital, nor does it require FSPs to report balance sheet data (save annual reports), complicating capital access attribution and coordination.

MicroLead has leveraged modest amounts of capital to FSPs and to financial sectors generally (e.g., stakeholder verified). Investments may have helped BRAC access some additional capital in Sierra Leone, Liberia and South Sudan. Equity Bank's investment in Rwanda and South Sudan cannot be attributed to the Fund as decisions to invest by the bank were made prior to MicroLead funding. Equity's entry into Rwanda may, however, spur capital formation in other FSPs as they prepare for competition. Stakeholders confirmed that TRM in Timor-Leste accessed funding in part due to MicroLead, although attribution is confounded by simultaneous support from the CSP and prior international funders' interest.[34]

Feet on the Ground

Effectiveness scores were generally higher where there was a CTA or TSP, or both, in the country of investment. This was particularly notable at the retail level (sub-question B.1) and where FSPs have seen significant changes in systems and processes. BASIX of India has been particularly effective in assessing market and FSP needs, including implementing LTTA in Bhutan, East Timor, and to a lesser extent in Ethiopia (where the programme is just beginning). CARD has also seen successful despite cutting four of eight FSPs from their TA portfolio. In Rwanda, the CTA has been particularly effective as a liaison for MicroLead with Equity Bank which has in turn, helped CSP credibility and programming. In Ethiopia, the ILO/FIPA microinsurance point person has been able to effectively support MicroLead investments through his close association with AEMFI and GoE financial sector officials. Notable synergies have taken place in these examples.

Effectiveness Assessment

MicroLead effectiveness has been uneven, with substantial difference related to different programme models. Greenfields had greater access to funding and credit outreach; whereas TSP-led programmes had better savings programme development/leadership and more meso/macro influence. This suggests business model motivational behaviours have some important effect on MicroLead's ability to influence effectiveness outcomes.

Greenfields, for example, are start-ups with an understandable emphasis on achieving financial sustainability; that is, profitability through credit business and/or fees. The impulse to collect savings as a result is moderated, particularly if the FSP has access to other sources of capital. Grants and loans, without ensuring substantial TA to immature FSPs in South Sudan (save Equity Bank), in retrospect produced little programme effectiveness. Poor interpretation of and influence over corporate strategy at Equity Bank in both South Sudan and Rwanda led to non-verifiable low income market penetration.

[34] Good practice guidelines on impact measurements state that "programmes may not deserve exclusive credit for producing changes without reporting other contributors to change and outlining the total financial value of each contributor". See DCED: Attribution: Measuring attributable change caused by a Programme, August 2012.

Not all business models are the same, particularly those of greenfields. Capital access, management capacity, governance and context influence FSP performance, but do not necessarily determine effectiveness or influence management change supporting programme outcomes. The most noticeable differences are between commercial models (Equity – shareholder accountable for profit model) and social development models (BRAC–NGO owned, social mission-driven model). MicroLead has the technical ability to distinguish between different business models and drivers but has not demonstrated the ability to identify and or manage how differential impulses affect institutional behaviour as investments mature. In this respect, the Fund's passive fund management is set up for less rather than more effectiveness.

Programme effectiveness influencing meso- and macro-levels change was also uneven. Greater effectiveness was achieved when MicroLead tapped broader networks; it was stronger still where TSPs and other third parties, whose accountability to PBAs were clearly linked to programme outcome success. If MicroLead wishes to have greater meso and macro level effectiveness it cannot rely on unplanned, unmeasured outputs simply occurring. Rather, it needs to establish formal and measurable expectations and corresponding PBA accountability. This is particularly true for the Fund creating "market leadership" FSPs, catalysing capital, and influencing market change aspirations.

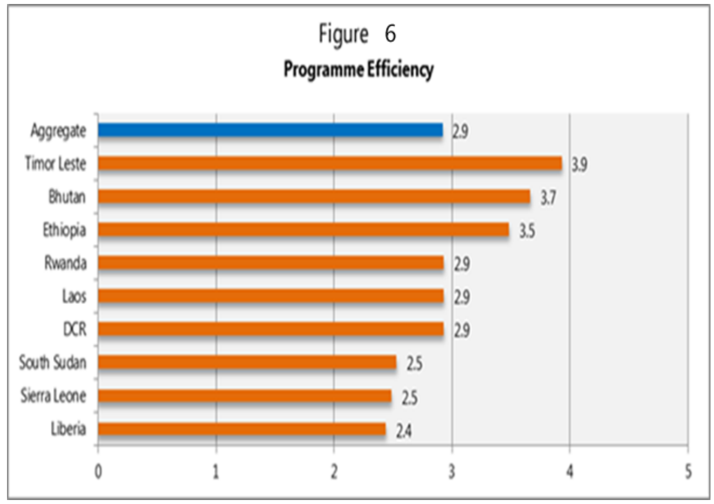
Effectiveness Recommendations

- Document the different impulses or influence behind business models at the investment structuring stage of investment and monitor through life of PBA.
- Increase staff resources for monitoring investee progress beyond quarterly reports (e.g., catalytic capital, macro/meso influences, market leadership effects, etc.)
- Consider consulting support (PBA required) to monitor and support greenfield investments.
- Set clearly articulated, measurable and accountable financial sector development outcomes, including macro, meso and knowledge generation targets.
- Require clear documentation of UNCDF's intended/expected investment input value-added during due diligence, in investment decision reports, and in PBAs;
- Have investees disclose funding from all sources (amount and purpose) at the time of investment as well as annually;
- Produce case studies of MicroLead-CSP synergies leading to improved outcomes.
- Produce case studies on MicroLead's experiences with greenfield investments. Establish key lessons learned and channel these lessons into programme and management guidance.

4.3 Efficiency

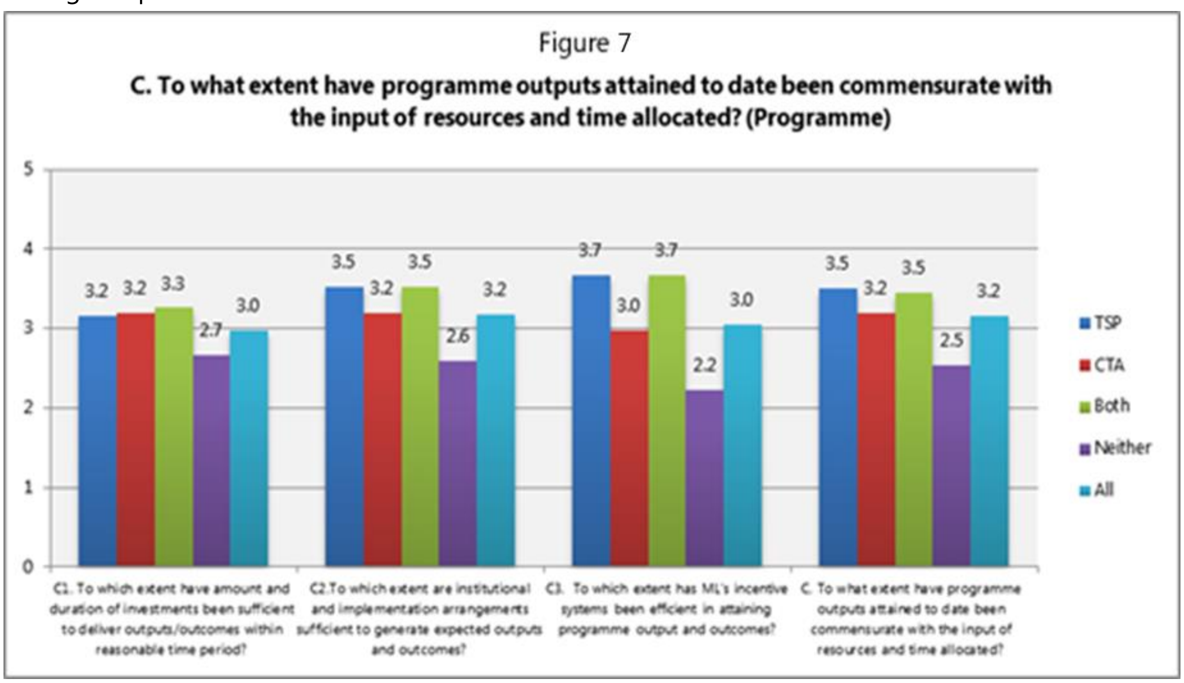
Programme efficiency assessed the extent to which MicroLead investments, institutional arrangements, and incentive systems helped produce expected programme outputs within expected time periods at a reasonable cost. Good programme efficiency facilitates appropriate levels of financial and human resource costs to benefits for outcomes. Project cycle management quality issues were addressed where relevant, in particular as they relate to the PBA system and its contributions to efficient programming (full Project Management Cycle analysis is found in Section 6).

MicroLead's overall efficiency score was Acceptable 2.9), and as for Effectiveness there were no observable systemic challenges with efficiency strengths and weaknesses across the portfolio. *(See Figure 6)* *Figure 7* shows scores Efficiency Key Questions is assessed below in turn).



C1. To which extent have amount and duration of investments been sufficient to deliver outputs/outcomes within reasonable time period. Score: Good (3.0)

The evaluation analysed the extent to which the amount and duration of investments have been sufficient to deliver outputs/outcomes within a reasonable time period. MicroLead scored an aggregate of Good (3.0), with investments ranging between Acceptable to Very Good, suggesting funding amounts and programme duration were a not constraint to meeting outputs. The extent to which this is true for second round investments is still unclear. Support for BDBL and TRM provided by BASIX, suggests TSP-led investments have consistently high scores for all Key Questions and strong FSP performance.



The average "investment cost" (MicroLead investment/net new saver/borrower) is an indicator of programme efficiency. Net new depositor served by FSPs was USD 121 (June 2011 – *See Table 7*). The unit 'cost' for TSP-led investments in established, deposit mobilizing FSPs was USD 88, or 39% higher for greenfields (USD 138) due largely to relatively higher start-up costs and limited savings outreach. Cost per new saver at mid-term was 209% higher than the projected end-of-programme cost per of USD 33.4. Given savings mobilization challenges (BRAC still not transformed, OI DRC without a savings license), it appears unlikely that this gap will be closed by the end of Phase 1.

Table 7: ML FSP investment/Cost Per Depositor and Borrower (USD)		
For MicroLead and FSP	**Depositor**	**Borrower**
MicroLead Actual (inv. cost)	121.0	136.0
MicroLead Projected (inv. cost)	39.2	76.6
Technical service provider (inv. cost)	88	177
Greenfield/Existing w. no TSP	138	126
FIOL (all FIPA FSPs)	n/a	87
MicroLead oper. cost/client		123.9
MIX cost/client	n/a	115

New borrower costs were USD 136 at June 30, 2011 (excluding Equity Bank Rwanda).[35] (*See Table 8*) This is 101% of the USD 4.73 projected cost per new borrower at end of programme.[36] Costs ranged from USD 152 for Equity Bank South Sudan to USD 4.73 for Ethiopian FSPs. MicroLead investees have an average cost per borrower of USD 124 (June 30, 2011). OI DRC tops the list at USD 768 and Ethiopia's FSPs with USD 25 have the lowest costs.[37] Higher costs are expected for greenfields and smaller FSPs; still, the average cost/borrower compared acceptably (47% higher) to the median MIX benchmark for MicroLead countries (2010) of USD 115.[38]

Table 8: MFI Performance								
	Funding USD	**Net Change Depositors**	**Net Change Borrowers**	**Savers/ Funding**	**Borrowers/ Funding**	**% Net New Depositors**	**% Net New Borrowers**	**% Funding**
BDBL	478,839	26,020	9,489	18	50	27.7%	12.5%	3.4%
EBLSS	1,875,000	49,843	3,043	38	616	53.1%	4.0%	13.2%
BRAC Liberia	1,000,000	0	26,432	-	38	0.0%	34.7%	7.0%
BRAC Sierra Leone	1,000,000	0	19,552	-	51	0.0%	25.7%	7.0%
All others	9,869,191	17,988	17,602	549	561	19.2%	23.1%	69.4%
Total funding to date	14,223,030	93,851	76,118	152	187	100.0%	100.0%	100.0%
Funding to date includes grants and loans. Data to September 30, 2011.								

BDBL and Equity Bank South Sudan have good investment efficiency performance. (*See Table 8*) The latter received 3.4% of MicroLead funding and produced 26,000 new depositors at USD 18.0 per.[39] BDBL produced the highest return with 49,843 new depositors, at a cost of USD 38 per client while receiving 13.2% of funding. All other investments took 70% of funding and produced 18,000 net new clients at USD 561 each. While BRAC Sierra Leone and Liberia have yet to produce voluntary savers, borrowing figures are attractive: receiving 7% of funds each. BRAC Liberia produced 25,000 new loan clients at USD 38, while BRAC Sierra Leone produced 19,500 for USD 51 each.

[35] Table 7 aggregates data from Ethiopia, Bhutan, Timor Leste BRAC Liberia BRAC Sierra Leone, the average for eight Laotian FSP, Equity Bank South Sudan and OI DRC and is calculated as total MicroLead disbursement per financial service provider divided by net new borrowers. Loans to BRAC South Sudan, Finance South Sudan and SUMI are included.

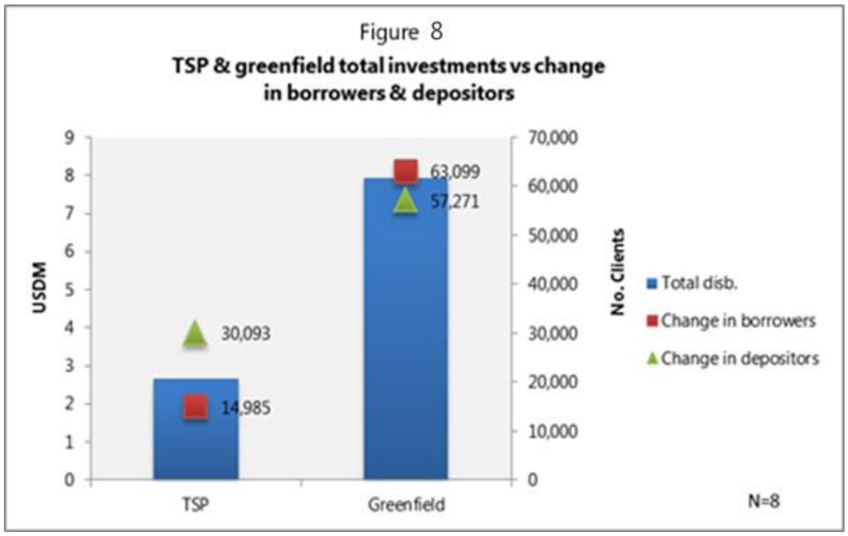
[36] The average is USD 76.6 when the Ethiopian low-cost outlier is removed from the MicroLead estimate sample. MicroLead estimations from: MicroLead Quantitative Scoring Summary, Equity Tanzania.

[37] Data compiled from UNCDF's FIOL database as at June 30, 2011. Cost efficiency trends at financial service provider level were positive in Ethiopia, with the average cost per borrower down to USD 11 as at September 2011.

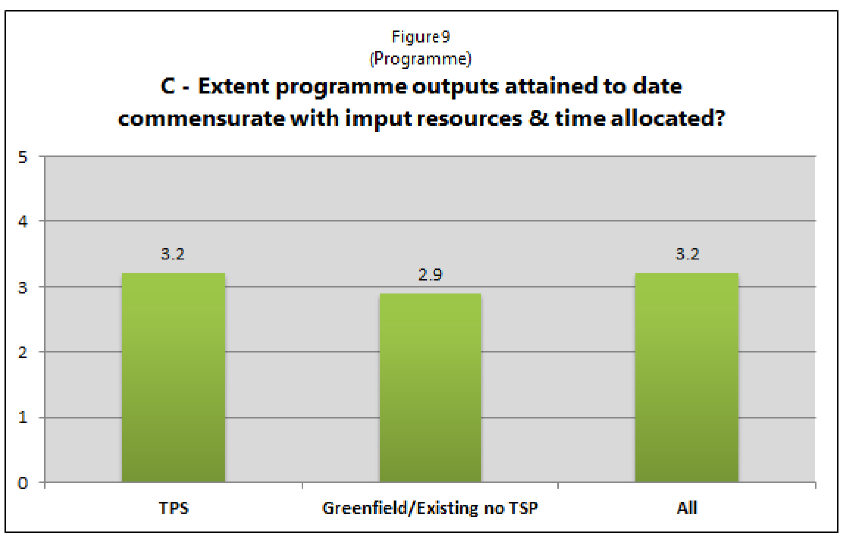
[38] MIX data calculated as average of the median costs for seven of the nine countries in which MicroLead invests. Source: MIX/MBB Unadjusted Benchmarks by country, 2010. Note: no comparable/contextualizing deposit cost figures were available from FIOL or MIX.

[39] Recall that the evaluation could not verify the percent of low income clients.

BRAC and Equity Bank South Sudan are instructive of different greenfielding experience. Both institutions received similar amounts of funding in South Sudan yet Equity Bank has seen *considerably* better performance. There are many possible explanations for this, such as Equity's commercial bank approach, stronger asset base, better local knowledge, and/or stronger focus on profitability. The relative efficiency of BRAC must be questioned as a result. BRAC's challenges do not appear to be simply a function of inadequate funding or time, and it is plausible that different support (e.g., expert greenfield TA, governance support) may have improved performance. Whether this would have improved efficiency and led to better outcomes is unclear but the findings imply that not all greenfields are equal and funders cannot expect the same efficiency from each greenfield model. In accounting terms, BRAC may be less efficient than originally thought, but that with more proactive support, its outcomes, financial sector leadership and potential impact might have offset a relative lack of "efficiency" (i.e., improved investment-outcome cost-benefit). This may also be the case, ultimately with TSP-led investments where each new borrower costs 57% more than borrowers added by greenfields (USD 126).



The evaluation also sought to estimate the extent to which investment value produced commensurate development outcomes.[40] *Figure 8* shows total MicroLead investment costs compared to net change in borrowers and depositors as at June 30, 2011. The ratio of investment value to new depositors in greenfields was lower than for TSP-led investments, whereas the reverse was true for new borrowers. BRAC (credit) and Equity Bank (fees) greenfields seem to have a greater focus on revenue generation through outreach, whereas TSP and existing FSPs with deposit-taking licenses have a stronger focus on savings.



C2. To which extent are institutional and implementation arrangements sufficient to generate expected outputs and outcomes? Score: Good (3.2)

This Key Questions assesses if FSPs and SSOs have a sufficient management, governance and institutional structures to

[40] Due to financial data delays, the evaluation was unable to compare MicroLead investment to FIPA global portfolio investment costs.

efficiently achieve desired outcomes. Scores for this question ranged from Acceptable (2.4) in Sierra Leone and Liberia to Good (3.8) for Timor-Leste, with an average of Good (3.2).[41] While programme efficiency is neither exceptionally high nor consistent across the portfolio, some efficiency scores are well above average even for generally low-scoring investments like OI DRC.

PBAs can play an important role in efficiency (inputs, outputs and outcomes). Final financial support negotiated in PBAs, for example, is calibrated to maximize the chances of FSP achieving outreach goals. Unfortunately, PBA budgets, human resources, technical capacity, business plans and expectations were almost uniformly overoptimistic; projected performance has been met in the case of only half of investments (even in the higher performance case of BDBL). Not surprisingly, efficiency was notably higher in FSPs with good financial performance.
Differential attention is paid to targets by FSPs. TSPs proved to be more focused on PBA goals than greenfields and FSPs without TSPs. This, and comparatively successful financial performance is reflected in higher TSP program scores. Investments in countries with proactive CTAs also scored well on implementation arrangements leading to efficient outcomes. TSP-led interventions had a marginally higher overall efficiency score of Good (3.2) than greenfields and FSP without TSPs, at "Acceptable" (2.9 - see *Figure 9*). Performance differences are stark. TSPs CARD and BASIX have strong financial interest for supporting FSP results, for as the maxim goes "a consultancy is only as good as its last contract." TSP staffs were unequivocal: their responsibility was to provide quality services leading to meeting the terms of their PBAs.

The evaluation found programmes to have relatively efficient and timely approvals, disbursements, monitoring, follow-up. All programmes scored 3.0 or above, in fact, with the exception of Liberia (1.0) due to what stakeholders felt were limited monitoring and support during its portfolio crisis. The same higher scores were not found for knowledge management/generation (KM), also assessed under this Key Question. Without formal FSP KM targets, little can realistically be expected. In Ethiopia and Laos, knowledge diffusion targets via trainings were set for AEMFI and the MFC. Both organizations' PBAs are relatively new, so it is too early expect substantial outcomes at this point. Feedback mechanisms for KM in both cases were not specifically defined, however given both organizations will provide training to non-programme FSPs, significant knowledge diffusion should result throughout the course of the PBA. Whether this will be formalized and shared more broadly in either country, or across the MicroLead's portfolio, is another question, given there are no formalized requirement/mechanisms for such.

C3. To which extent has UNCDF's incentive systems been efficient in attaining programme output and outcomes? Score: Good (3.0)

MicroLead formalises incentives through PBAs. Specific objectives and targets are customized in PBAs for each investment, but the basic structure is relatively standard and has not changed markedly through the first phase of MicroLead.

PBA incentive structures were found to be relatively solid and negative incentives, procedures for suspension and termination of grants in case of underperformance are clear. Measures of compliance are limited to three not entirely interlinked elements, each with their own strengthens and weakness (assessed below):

- Negotiated key performance targets consisting primarily of indicators for outreach and financial sustainability;

[41] This key question includes sub-questions related to investee capacity and management arrangements such as adequacy and appropriateness of targets, reporting and monitoring requirements, and availability of reporting data.

- Disbursement performance milestones which (typically) include operational changes and some performance/outreach indicators; and
- Quarterly performance reports with standardised indicators, annual audited financial statements and annual reports to the MIX database.

All MicroLead PBAs include absolute outreach targets, except for the FSPs in Lao PDR where aggregate FSP portfolio targets are set out in a PBA with CARD (CARD has PBAs with individual FSPs). Most PBAs targets include OSS (averaging 95%), PAR[30] (90%) and FSS (90%). Only 25% of all PBAs specified targets allowing low-income service measurement (e.g. average loan or savings balance as a percentage of GNI per capita). The absence of such in the Equity Bank South Sudan PBA was a missed opportunity for incentivizing bank downscaling. Equity Bank Rwanda's PBA was strengthened to include GNI per capita loan and savings balances.

While the number of key indicators used as performance incentives is low (as per CGAP guidance), standard PBA reporting includes a longer list of generally sound indicators; not all are however. Eight PBAs require rural client outreach but PBAs do not define "rural". PBAs were more successful in defining other targets. Over 95% of PBAs stipulated a minimum percentage of female clients, often for both borrowers and savers. The newest five PBAs (all signed in 2010-11) encouraged investees to endorse and promote the Client Protection Principles (CPPs) of the Smart Campaign: Wasasa, Buuasa Gonofaa, AEMFI, BASIX (TSP), and EBL Rwanda. All but Equity Bank had signed on to the campaign as at Dec 2011.[42] In addition, MFC in Laos, head offices of CARD and BRAC have endorsed the CPPs. However, the evaluation found very little concrete evidence of CPP-related activities affecting FSP activities.

PBA disbursement milestones allow the Fund to withhold funding until specific performance conditions are met. For contingent funding tranches to work efficiently, investees must be provided with sufficient up front funding to cover costs of change to meet targets. Timing and spacing of tranches becomes important as a result – that is, balancing performance leveraging incentives and performance-enhancing investment capital needs is critical. PBAs quality from this respect is uneven. MicroLead's investment in BRAC South Sudan, for example, was fully disbursed in a single tranche at the beginning of the PBA, negating future Fund leverage (and leading to the loss of all programme funding - See Box 4).

More generally, the evaluation found PBAs employed 3.5 tranches on average, spaced over the first 18 to 24 months. This left an average of 20% of funding remaining on 26 months of PBAs, substantially reducing MicroLead's financial leverage on investees (*this average does not include the front end loaded South Sudan investments*).[43] Closer linkage of key targets and disbursement milestones could create greater incentives for good performance. The evaluation found 67% of PBAs had on average three key targets linked to disbursements (see Table 9); that is, performance targets were linked directly to milestones triggering grant payments/tranches.

Box 4: Renouncing Funding Leverage (BRAC South Sudan)

MicroLead awarded USD 1.5M as a grant and a USD 1.48M in soft loans to BRAC in 2008 to set up a greenfield financial service provider. At BRAC's request, 100% of its grant and loan were deposited in a fixed deposit account in Nile Commercial Bank in Juba. This bank went bankrupt in 2009, and BRAC has only been able to partially recover the funds in small payouts. Operations have been funded by BRAC International and other donors. Neither BRAC nor UNCDF MicroLead has much leverage to bring to bear in this case.

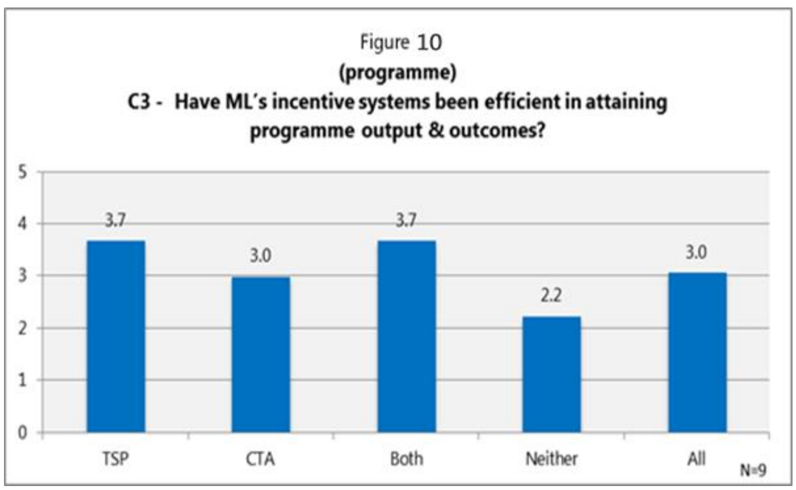
[42] See http://www.smartcampaign.org/about-the-campaign/campaign-endorsers. EBL signed on in April 2012.
[43] Investments in South Sudan FSPs were not included because 100% of their funding was disbursed within a year of performance-based agreement and skews the data.

PBA structural findings are juxtaposed against a relatively high score of Good (3.0) for sub-question C.3 the extent to which PBA incentive systems had efficiently influenced programme outputs and outcomes. (See *Figure 10*) Asian and TSP-led investments scored highest at Good (3.7), while African investments were mostly Acceptable save for a Good for the DRC (3.2).

PBAs were found to have uneven performance incentivizing FSPs (sub-question C.3.1). In Bhutan, Ethiopia, Lao, and Timor Leste PBAs were closely adhered to and were reported to have some incentivizing effects. In other countries such as DRC, Liberia, Sierra Leone and South Sudan PBAs had little discernable effect on management behaviour and ultimately FSP performance. Equity Bank Rwanda and South Sudan PBAs were also not particularly influential given the absence of evidence related to low income market service. PBAs had no noticeable effect on a truculent SUMI Board (cited elsewhere), nor did it appreciably effect attention to credit delinquencies at BRAC South Sudan. PBAs did they effect faster transformation in Sierra Leone or Liberia – the suspension of both investments had no strong noticeable impact on investee behaviour at the local *or* corporate level.

Table 9 : Tranches Linked to Targets

Number of Links	0	1	2	3	4	5
Frequency in PBAs in which a tranche is linked to a target	1	3	1	4	4	2
Percentage of PBAs by frequency of tranches linked to targets	7%	20%	7%	27%	27%	13%



Finally, there was no observed link *between better FSP performance and the PBAs*. FSPs uniformly reported PBA indicators and targets as appropriate, relevant and trackable (sub-question C3.3). While stakeholders perceive efficiency effects, there is *no observable evidence* PBAs *support better FSP efficiency*. This observation is supported the minimal PBA influence *perceived by UNCDF staff* to programme improve efficiency.

Efficiency Assessment

As was with effectiveness, efficiency scores were relatively low, though without systemic challenges. Where institutional and implementation arrangements were sufficient to generate expected output and outcomes, investees tended to perform better. Evidence supports the observation that where there are "more feet on the ground" there is greater efficiency. It also suggests TSP-led interventions were likely to be more efficient than greenfields or FSPs with no TA, possibly due to the out-sourcing of onsite management responsibilities to the TSP.

MicroLead PBAs were reasonably consistent in design and application of key performance targets. Notably PBA targets were often not optimally linked to disbursement triggers. The basic PBA structure did not have obvious influence on poor performer behaviour or on FSPs with well-defined corporate strategies (Equity and BRAC). *Post hoc* crisis leverage in BRAC Sierra Leone, Liberia and

South Sudan was also less than optimal. MicroLead's ability to lever change in the later stages of the PBAs also reduces influence: longer back-end disbursement or PBA ending positive incentives should be considered, as well as enforcement of the PBA option for investees to refund grants in cases of non-performance. MicroLead may have to "double down" and provide more proactive support in the case of PBAs failing to meaningfully address crisis, rather than simply suspending investments. Such investments require more financial and time inputs but would increase overall efficiency from a cost benefit perspective.

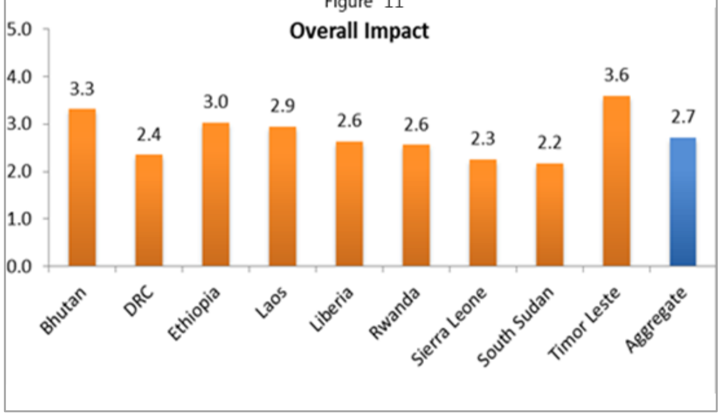
The basic requirement that women constitute 50% of the client base for FSP might best be reformulated, in the cases of investees that already have a strong gender focus to create gender-based product innovation incentives.[44] But generally, good performance on gender – and the fact that four out of five institutions that were encouraged by PBAs to endorse the SMART Campaign have already done so – provides an *indication* that PBA can efficiency incentivize performance.

Efficiency Recommendations

- Increase staffing through:
    a. Formalization of roles, responsibilities and accountability mechanisms of RTAs, CTAs and other, internal UNCDF stakeholders (e.g., job descriptions, staff incentives and staff appraisals);
    b. Increase programme staffing by two full-time-equivalent (programme staff and/or administrative assistant and knowledge management expert).[45]
- Establish discretionary budget for rapid response/ support for FSP experiencing difficulties.
- Link financial and development outcomes to disbursement milestones.
- Expand the standardized reporting template to incorporate more reporting on knowledge generation, client p rotection principles and other innovations.
- Review the structure of the incentives in PBAs and consider adding/enforcing repayment of grants due to non-performance, and positive incentives for performance that, by the end of the PBA period, exceeds targets.

4.4 Impact

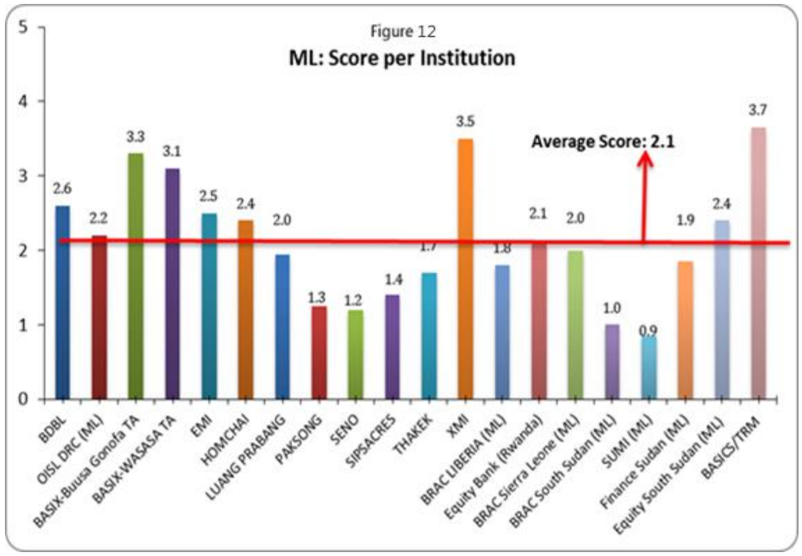
Figure 11



Using FIPA's existing results chain, the evaluation assessed likely positive and negative changes influenced directly or indirectly by MicroLead, intended or unintended. The assessment focused on the overall economic level of clients *as indicated by outreach to the low-income market with savings products* in particular; the *development of innovative products and services*; and *demonstration of low-income market leadership*, particularly through

[44] Some FSPs are asked to achieve a higher or lower target depending baseline benchmark, most are at or around 50%..
[45] The addition of two full-time-equivalent (FTE) funding allocations, with the benefit of MasterCard Foundation funding, should provide sufficient support, depending on roles, responsibilities and capacities.

savings services. The assessment addressed the extent to which investments had positive impact on women empowerment (Millennium Development Goal 3) and environmental issues (Millennium Development Goal 7). Impact was considered at the micro, meso and macro levels.[46]



The assessment was focused at the programme and FSP levels, rather than on clients directly. It employed FSP and programme document review, stakeholder interviews, survey feedback and field observations. Focus group discussions with FSP clients were conducted in the seven countries.

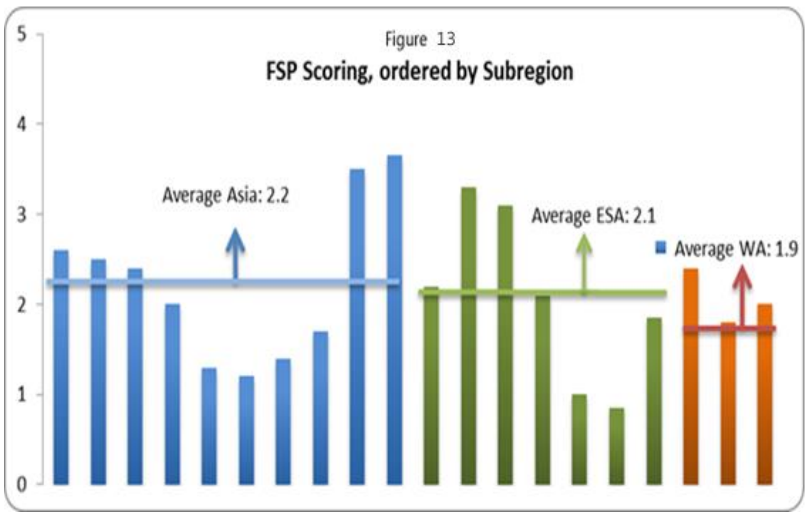


Figure 11 shows an FSP impact score of Acceptable (2.7 - with a range from 2.2 to 3.6 or Good). Scores for ML by country show African post/current conflict countries, Liberia (2.6) Sierra Leone (2.3), and the DRC (2.4) rated Acceptable but were the lowest among all of the investments. Removing the score for *sub-question D6* (the extent to which MicroLead investees have promoted good environmental practices), the overall score remained Acceptable (2.9).

The evaluation scored 20 MicroLead FSPs (excluding SSOs) against PBA financial and non-financial impact targets, including six categories: outreach and size, portfolio quality, profitability and efficiency, productivity, leverage, and social performance, as proxies for sustainability impact. Each of these variables are applied in analysis in the applicable Key Questions found below.

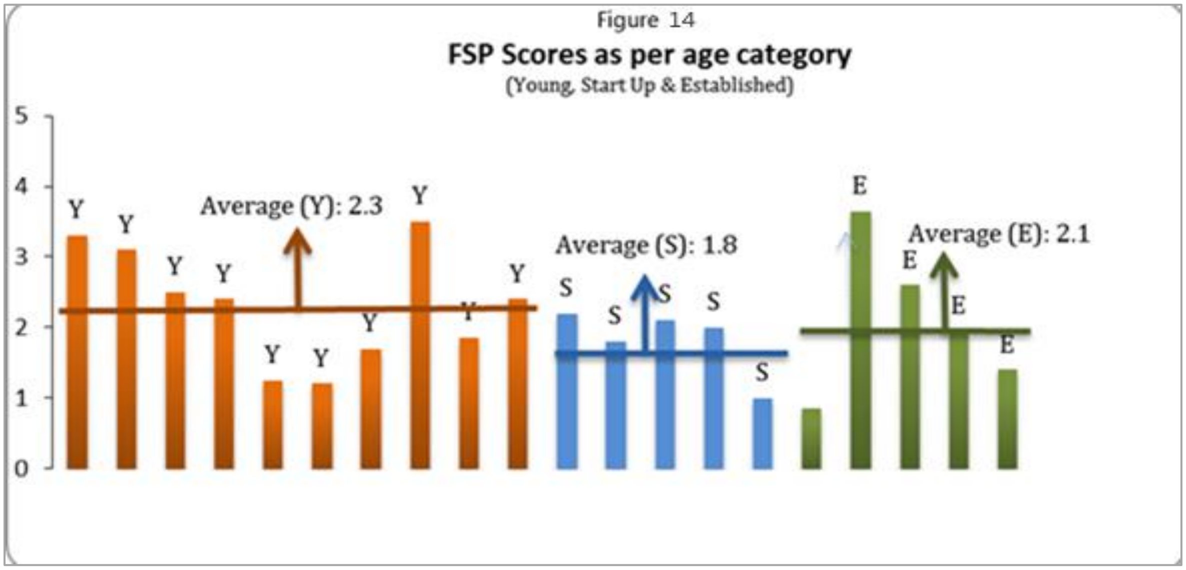
Figure 12 shows that performance varied between Unacceptable for SUMI (0.9) and Good for TRM (3.7), with an average score of 2.1 (Acceptable).[47] Four FSPs were scored as Good and eight were rated as Unacceptable. Asian FSPs scored highest, with an average of Acceptable (2.2). East/ Southern African FSPs averaged Acceptable (2.1) and the West African scored lower at Unacceptable (1.9). (See *Figure 13*) Young institutions (1-5 years) had a higher score on average at Acceptable

[46] Environmental considerations are not explicitly included in PBAs, but the United Nations is signatory to various conventions and norms (including the MDGs) that include environmental considerations. Analysis of impact, therefore includes environmental issues, but the analysis of scores without environmental consideration is also provided given the lack of specific provisions in PBAs. The question of whether FIPAs approach complies with broader United Nations policy is beyond the scope of the MTE.

[47] There are no specific or agreed upon FSP benchmarks, ranges for good practice are drawn from experience and a variety of sources including from CGAP, the MicroBanking Bulletin, and the Mix Market

(2.3). Established FSPs (5+ years) scored Acceptable (2.1). Start-ups (greenfields of less than 1 year) scored lower, with Unacceptable (1.8 - see *Figure 14*).

The analysis checked FSP performance against all impact key questions and found that the higher the value of grants received as a percentage of the institutions' total assets, the worse the performance seemed to be, suggesting that the *size* of MicroLead investment had no impact on performance. Data also found an observed link between FSP asset size and performance, suggesting larger institutions were better able to make use of funding. Due to the size of the data sample, this is not conclusive. There are too few data points to generalize these findings but observations are consistent enough to encourage future considerations.



D1. To what extent have the programmes contributed to improved access to financial services for low-income people? Score: Acceptable (2.7)

Overall, MicroLead investments had Acceptable (2.7) impact on improving access to low-income financial services. As of Sept 30, 2011, investees served 238,293 savers and 232,333 borrowers. (See Tables 11 and 13) Combining the higher of the two for each institution, the portfolio generated 138,478 net new clients, or 103% and 53% of its 2011 and 2012 targets respectively.

The evaluation found 14 FSPs were collecting voluntary savings, although only ten (including six savings and credit unions in Lao) were doing so with regulatory approval. Of the six Laotian SCUs, four were cut from programme for lack of potential, in November 2011, leaving 8 FSPs collecting savings and two with credible plans for future collection (i.e., likely to apply for a deposit-taking licence in the mid-term, plans for savings product development, the financial and institutional capacity to launch savings, Board approval/interest, etc.).[48]

[48] Institutions cut from the programme include: Pakson, Seno, Sipsacres, Thakek,

Table 10: Financial Service Provider Overall Status on Key Expected Outcomes				
June 30, 2011	**Institution**	**MicroLead Status June 30***	**Savings (or tenable plan for savings)**	**Comments**
South Sudan	BRAC	Red	No	No savings, significant operating challenges, draft MF law (no estimate when to be passed).
	SUMI	Red	No	Insolvent.
	Finance Sudan	Green	No	No savings, will apply as soon as MF law is passed (no estimate when). No specific savings plan as of June 30, 2011.
	Equity Bank South Sudan	Green	Yes	Voluntary savings product.
Sierra Leone	BRAC SL	Yellow	No	PBAs suspended due to high PAR, missing borrower and saver targets and delay of transformation process. No viable transformation plan given lack of operational control.*
Liberia	BRAC Liberia	Yellow	No	PBAs suspended due to high PAR, missing borrower and saver targets and delay of transformation process. No savings, and lack of viable transformation plan given lack of operational control.*
DRC	OISL DRC	Yellow	Yes	No savings but all required steps taken to obtain license, awaiting savings license which requires Presidential signature on new Deposit Law.
Bhutan	BDBL	Green	Yes	Voluntary savings products.
Timor-Leste	TRM	Green	Yes	Currently offers savings products; in accordance with new law, applied for license as Other Deposit Taking Institution in order to be able to continue to offer voluntary savings product.
Lao PDR	8 FSPs	Green	Yes (4)	Six savings and credit unions (SCUs), one MFI and one MDI collecting savings; four SCUs to be removed for poor performance.
Post June 30, 2011 added to evaluation upon request				
Ethiopia	2 FSP (BASICS TSP)*	Green	Yes	Underdeveloped savings products
Rwanda	Equity Bank Rwanda	Green	Yes	Voluntary savings products
Total with Savings/Tenable Plan			**10**	

*From BMGF 2011 Interim Report, Appendix A: Update on MicroLead Sub-grantees as at June 30, 2011.

There was a net growth of savers 93,851, with Equity South Sudan and BDBL accounting for 81% of the change; the balance came from the remaining institutions, *including* the four FSP dropped from the Lao portfolio.[49] It is important to note that the evaluators could not verify the extent to which Equity Bank South Sudan served low-income clients.[50] Nevertheless, even with the Equity Bank South Sudan data (see footnote 26), the evaluation found net new savers was below the proposed and minimum targets (as set in PBAs).

[49] Investees in Ethiopia and Lao have been operating for a relatively short time and are projected to see 234,760 new deposit clients (Ethiopia 217,000 and Lao 17,760).

[50] Equity Bank South Sudan reached their savings account milestones but there was no verifiable evidence that it was attending the low income market: for example, senior managers showed no visible concern about serving the low income market, they could not produce tangible or credible information about when and how they were going to focus on the low income market; nor did the obviously commercial bank and higher end retail branch infrastructure invitive low income persons (i.e., compared to, for example, BRAC South Sudan, SUMI, Finance South Sudan which were also visited by the evaluators); finally the bank could the bank not produce a single low-income person for focus groups for a donor who had given them USD 2 million.

These targets likely will not meet 2011 PRODOC projections.[51] (*See Table 11 and 12*) More critically, three institutions – OI DRC Congo, BRAC Sierra Leone, BRAC Liberia – failed to mobilize any savings therefore failing to meet a savings-client target of 87,505 (or 23% of MicroLead's target). As of

Table 11: Growth of Depositors

			Number of Depositors				Net Change in Depositors			
Country	Institution	Age	Baseline	31/12/10	30/06/11	30/09/11	Baseline to 31/12/10	31/12/20 to 30/06/11	30/06/11 to 30/09/11	% change from baseline
Bhutan	BDBL	E	7,748	21,524	28,505	33,768	13,776	20,757	26,020	27.7%
DRC Congo	OISL DRC (MicroLead)	S	0	0	0	0	0	0	0	0.0%
Ethiopia	BASIX-Buusa Gonofa TA**	Y	48,908	48,908	48,908	48,908	0	0	0	0.0%
Ethiopia	BASIX-WASASA TA**	Y	56,085	56,085	56,085	58,422	0	0	2,337	2.5%
Lao	EMI	Y	4,098	4,709	6,406	7,040	611	2,308	2,942	3.1%
Lao	HOMCHAI	Y	750	653	746	746	-97	-4	-4	0.0%
Lao	LUANG PRABANG	S	619	794	942	1,043	175	323	424	0.5%
Lao	PAKSONG	Y	1,226	1,353	1,510	1,582	127	284	356	0.4%
Lao	SENO	Y	1,790	2,528	2,331	2,624	738	541	834	0.9%
Lao	SIPSACRES	E	1,529	1,424	1,185	1,485	-105	-344	-44	0.0%
Lao	THAKEK	Y	543	570	618	907	27	75	364	0.4%
Lao	XMI	Y	5,345	5,734	6,511	6,755	389	1,166	1,410	1.5%
Liberia	BRAC LIBERIA (MicroLead)	S	0	0	0	0	0	0	0	0.0%
Sierra Leone	BRAC Sierra Leone (MicroLead)	S	0	0	0	0	0	0	0	0.0%
South Sudan	BRAC South Sudan (MicroLead)	S	13,634	26,752	26,924	25,026	13,118	13,290	11,392	12.1%
South Sudan	SUMI (MicroLead)	Y	8,604	10,389	10,288	0	1,785	1,684	-8,604	-9.2%
South Sudan	Finance Sudan (MicroLead)	Y	0	0	0	0	0	0	0	0.0%
South Sudan	Equity South Sudan (MicroLead)	Y	0	28,038	42,297	49,843	28,038	42,297	49,843	53.1%
Timor-Leste	BASICS/TRM	Y	50	2,735	5,037	6,631	2,685	4,987	6,581	7.0%
Total			150,929	212,196	238,293	244,780	61,267	87,364	93,851	100.0%

[51] The MicroLead PBA specifed a proposed target higher than the minimum target by 25%. FSPs are required to meet the higher target, but will still receive disbursements if they have only achieved the minimum target.

Table 12: Saver Targets versus Actual								
Country	Institution	Number of Clients 30/09/2011	Proposed Target Clients	Proposed Target - Actual	% Target Achieved	Minimum Target	Minimum Target - Actual	% Minimum Target Achieved
Bhutan	BDBL	33,768	26,024	7,744	129.8%	22,140	11,628	152.5%
DRC Congo	OISL DRC (MicroLead)	0	14,225	-14,225	0.0%	9,950	-9,950	0.0%
Ethiopia	BASIX-Buusa Gonofa TA**	48,908	N/A	0	0.0%	N/A	0	0.0%
Ethiopia	BASIX-WASASA TA**	58,422	N/A	0	0.0%	N/A	0	0.0%
Lao	EMI	7,040	8,240	-1,200	85.4%	6,592	448	106.8%
Lao	HOMCHAI	746	1,454	-708	51.3%	1,163	-417	64.1%
Lao	LUANG PRABANG	1,043	1,604	-561	65.0%	1,283	-240	81.3%
Lao	PAKSONG	1,582	2,503	-921	63.2%	2,202	-620	71.8%
Lao	SENO	2,624	2,291	333	114.5%	1,833	791	143.2%
Lao	SIPSACRES	1,485	2,250	-765	66.0%	1,800	-315	82.5%
Lao	THAKEK	907	1,572	-665	57.7%	1,258	-351	72.1%
Lao	XMI	6,755	9,407	-2,652	71.8%	7,526	-771	89.8%
Liberia	BRAC LIBERIA	0	32,925	-32,925	0.0%	28,000	-28,000	0.0%
Rwanda	Equity Rwanda	N/A	N/A	0	0.0%	0	0	0.0%
Sierra Leone	BRAC Sierra Leone	0	40,650	-40,650	0.0%	34,500	-34,500	0.0%
South Sudan	BRAC South Sudan	25,026	135,000	-109,974	18.5%	101,250	-76,224	24.7%
South Sudan	SUMI*	0	13,500	-13,500	0.0%	10,125	-10,125	0.0%
South Sudan	Finance Sudan *	0	11,601	-11,601	0.0%	8,700	-8,700	0.0%
South Sudan	Equity South Sudan	49,843	65,000	-15,157	76.7%	55,220	-5,377	90.3%
Timor-Leste	BASICS/TRM	6,631	5,130	1,501	129.3%	4,360	2,271	152.1%
Total		244,780	373,376	-128,596	65.6%	297,902	-53,122	82.2%

September 30, 2011, MicroLead had achieved 65.6% of its *proposed* 2011 PBA savings-clients targets and 82.1% of the *minimum* 2011 PRODOC targets. Excluding Equity Bank South Sudan's number, whose low income service cannot be substantiated, MicroLead met 52% and 56% of the proposed and minimum targets. Only three FSPs met proposed targets: BDBL, Seno, and TRM.[52]

The average FSP savings balance (ASB) is USD 434, with a range from USD 17 (TRM in Timor-Leste) to USD 2,341 (Equity Bank South Sudan). The averages for Laotian FSPs ranged from 3.19% to 14.6%. GNI per capita (figures saw no significant change from baseline to September 30, 2011). (See *Table 13*) By contrast the ASB/GNI per capita for Equity Bank South Sudan grew to 293% (to September 30, 2011). BDBL had a relatively high ASB at USD 1,321 or 70% ASB/GNI per capita. This will decline as the bank focuses on individual savings products. Notably, only four PBAs included

[52] Seno has been dropped from the MicroLead portfolio.

ASB/GNI per capita targets including Equity Bank Rwanda but not Equity South Sudan. There are no divergent patterns between depositor growth by age or institutional type. (See Figures 48 and 49)[53]

Table 13: Change in Average Savings Balance/GNI per capita

Country	Institution	* ASB/GNI Baseline	ASB/GNI 30/09/2011	Variance	Target in performance-based agreement
Bhutan	BDBL	70.9	76	5.1	**Yes**
DRC Congo	OISL DRC (MicroLead)	N/A	N/A	N/A	**No**
Ethiopia	BASIX-Buusa Gonofa TA**	3.7	not available	0	**Yes**
Ethiopia	BASIX-WASASA TA**	8.8	not available	0	**Yes**
Lao	EMI	3.6	22.1	18.4	**No**
Lao	HOMCHAI	3.6	7.8	4.2	**No**
Lao	LUANG PRABANG	8.8	13.6	4.8	**No**
Lao	PAKSONG	3.7	5.5	1.8	**No**
Lao	SENO	9.7	17.4	7.8	**No**
Lao	SIPSACRES	14.6	17.8	3.2	**No**
Lao	THAKEK	8.4	14.2	5.8	**No**
Lao	XMI	3.2	4.8	1.6	**No**
Liberia	BRAC LIBERIA (MicroLead)	N/A	N/A	N/A	**No**
Rwanda	Equity Rwanda	0.0	N/A	N/A	**Yes**
Sierra Leone	BRAC Sierra Leone (MicroLead)	N/A	N/A	N/A	**No**
South Sudan	BRAC South Sudan (MicroLead)	1.5	1.6	0.1	**No**
South Sudan	SUMI (MicroLead)	N/A	N/A	N/A	**No**
South Sudan	Finance Sudan (MicroLead)	N/A	N/A	N/A	**No**
South Sudan	Equity South Sudan (MicroLead)	191.1	293.5	102.4	**No**
Timor-Leste	BASICS/TRM	2.6	3.6	1.0	**No**

*GNI data calculated using the World Bank Atlas method using FSP PBA date.

The Fund registered an increase of 76,118 borrowers. (*Table 14*) Of these, 60% came from BRAC Liberia and BRAC Sierra Leone (both programs were suspended). Equity Bank South Sudan and BDBL accounted for 23% and the balance, with 17%, was from other institutions. Notably greenfields and non-TSP led FSP investee borrower outreach was similar to TSP-led FSPs. The average loan balance (ALB) for the portfolio was USD 870, ranging from USD 31 (BRAC South Sudan) to USD 5,327 (Equity Bank South Sudan). Removing Equity Bank South Sudan, average ALB dropped to USD 435. BDBL had a relatively high ALB of USD 3,220 or 170% GNI per capita. The ALB/GNI for Equity Bank South Sudan was 419%.

[53] Note that the time between baseline and June 2011 is different for each financial service providers.

D2. Extent to which UNCDF funding has helped FSPs achieve sustainable growth in underserved markets/market segments? Score: (2.6)

MicroLead FSPs have opened new markets to a modest extent (specific sustainability questions are addressed in section 5.6). Many institutions were required in their PBAs to attend rural markets resulting in modest expansion of "rural" branches located in what can only be described as peri-urban and fairly large rural market towns close to the capital or major secondary cities. A successful exception is XMI which is located in central Lao and attends almost entirely rural markets. Buusa Gonofaa and Wasasa in Ethiopia have good rural outreach via rural service centres as well though this cannot be attributed to MicroLead support. Ultimately, however, it is impossible to estimate the numbers of rural clients in the portfolio as there are no PBA definitions of what constitutes "rural" and because the evaluation was unable verify "rural" branch locations.

Products and services offered throughout portfolio consisted primarily of standard, inclusive finance products and services, imported either via greenfields or TSPs. Very little innovation had taken place and few products and services are tailored to the specific needs of clients. There were exceptions: BDBL developed core savings products able to targeting multiple markets and Homchai in Laos modified payment collections to a daily basis to better suit the need of female clients.

Table 14: Growth of Borrowers

				Number of Borrowers				**Net Change in Number of Borrowers**			
Country	**Institution**	**Age**	**Type**	Baseline	31/12/2010	30/06/2011	30/09/2011	Baseline to 31/12/2010	31/12/2010 to 30/06/2011	Change from 30/06/2011 to 30/09/2011	
Bhutan	BDBL	E	TSP	18,627	24,476	27,840	28,116	5,849	9,213	9,489	12.5%
DRC Congo	OISL DRC	S	G	0	0	2,455	3,123	0	2,455	3,123	4.1%
Ethiopia	BASIX-Buusa Gonofaa TA**	Y	TSP	48,908	48,908	48,908	42,319	0	0	-6,589	-8.7%
Ethiopia	BASIX-WASASA**	Y	TSP	53,981	53,981	53,981	53,981	0	0	0	0.0%
Lao	LUANG PRABANG	S	TSP	178	313	317	396	135	139	218	0.3%
Lao	SIPSACRES	E	TSP	245	247	245	244	2	0	-1	0.0%
Lao	EMI	Y	TSP	2,485	2,939	3,680	3,688	454	1,195	1,203	1.6%
Lao	HOMCHAI	Y	TSP	358	404	417	1,093	46	59	735	1.0%
Lao	PAKSONG	Y	TSP	322	242	258	249	-80	-64	-73	-0.1%
Lao	SENO	Y	TSP	714	613	525	532	-101	-189	-182	-0.2%
Lao	THAKEK	Y	TSP	152	133	136	128	-19	-16	-24	0.0%
Lao	XMI	Y	TSP	3,698	4,058	4,638	4,588	360	940	890	1.2%
Liberia	BRAC LIBERIA	S	G	0	20,559	25,595	26,432	20,559	25,595	26,432	34.7%
Sierra Leone	BRAC Sierra Leone (MicroLead)	S	G	3,267	16,837	21,555	22,819	13,570	18,288	19,552	25.7%
South Sudan	BRAC South Sudan (MicroLead)	S	G	8,471	18,498	17,769	16,553	10,027	9,298	8,082	10.6%
South Sudan	SUMI (MicroLead)	Y	E	8,604	10,389	10,288	10,813	1,785	1,684	2,209	2.9%
South Sudan	Finance Sudan	Y	E	1,376	2,764	4,173	5,373	1,388	2,797	3,997	5.3%
South Sudan	Equity South Sudan	Y	G	0	2,205	2,982	3,043	2,205	2,982	3,043	4.0%
Timor-Leste	BASICS/TRM	Y	technical service provider	2,863	3,862	6,571	6,877	999	3,708	4,014	5.3%
Total				154,249	211,428	232,333	230,367	57,179	78,084	76,118	100.0%

D3. Extent to which UNCDF funding leverages increased resources for FSPs beyond initial investments? Score: Acceptable (2.8)

MicroLead has been modestly successful at catalysing new investments in FSP investees, with an overall score of Acceptable (2.8). Savings outreach growth has been modest, recognizing TSPs-led programmes (2.5). Interviews suggested greenfields had strong direct financial interest in raising funds and were able to take advantage of typically large international funding networks.

Attribution is difficult to assign at best, though TRM in Timor-Leste gave partial attribution to UNCDF/MicroLead for securing additional funding. 54 In countries with both TSPs and CTAs, funding leverage scored higher. Greenfield and FSPs without TA (2.8) achieved a higher score than

D4. Extent to which programmes have impacts at industry and policy level? Acceptable (2.7)

MicroLead demonstrated little direct impact on industry policy. This is partly due to an FSP investment focus. In countries with multiple investments and/or a TSP, meso- and to some extent macro-level impacts were more noticeable. TSPs, in particular, tended to be integrated into the "inclusive finance community". In Bhutan, East Timor and Laos, TSPs were helping to shape national inclusive finance debate/policy (e.g., in Ethiopia the programme set a TSP funding precedence as noted earlier).

D5. Extent to which programmes impact women's economic/social empowerment? Good (3.1)

The score on women's economic or social empowerment impacts relies on four variables: whether or not at least 50% of clients are women (as per PBAs); the number of women in senior management and on Boards of Directors; the extent to which financial/non-financial services/products or delivery mechanisms promote women's economic/social empowerment; and finally, the extent to which impacts have been reported to MicroLead. The overall score for this question was Good (3.1) with a relatively tight range of 2.5 (Rwanda) to 3.7 (Liberia, Ethiopia, DRC Congo, and Lao PDR). There was no real difference by investment type or FIPA presence, making women empowerment the most consistently high score across the evaluation.

A key to women's empowerment is the extent to which FSPs met the needs of women. Seven of twenty FSP target women and offered a small number of "empowering products" such as payment cycles tied to women- managed crops, group meeting accommodating women's' household responsibilities, and daily collection systems meeting income cycles of women. These were the exception as most products were "gender neutral". Stakeholders suggest FSPs could make many simple changes to better serve women's needs, particularly related to enterprise income cycles.

The evaluation found FSPs rarely had more than two women in senior management/boards (less than 10%; this figure was less than 2% for the FIPA portfolio overall). This level is low by "good" international corporate social responsibility (CSR) standards which range between 20%-30%.[55] Given the importance of serving female clients, having more women in decision-making positions simply makes good business sense, CSR practice notwithstanding. Many local and international

[54] Without clear estimates of the extent to which observable change is due to the programme interventions, attribution (total change less counterfactual change) cannot be established. See DCED: Attribution: Measuring attributable change caused by a Programme, August 2012.

[55] For a review of relevant CSR issues see The Global Reporting Initiative (GRI) which supports a social, environmental, and economic report format systematizing CSR reporting. See https://www.globalreporting.org

stakeholders agreed MicroLead FSPs were often *de facto* CSR leaders particularly when it comes to the empowerment of women in business.[56]

D6. Extent to which programmes have had positive impact on environmental challenges in country? Unacceptable (1.6)

UNCDF's mandate includes promotion of MDG7 on environmental protection. Given the strong link between local environmental damage and poverty (e.g., deforestation, soil and air quality, water access and quality etc.), as well as global climate change and increased household income/ consumerism (a primary aim of microfinance), many stakeholders view integration of environmental considerations in inclusive finance an important donor responsibility. The Fund does not include environmental objectives in its PRODOC, request for proposals, or PBAs so its score of Unacceptable (1.6) is not surprising.

UNCDF has addressed the environment and poverty issue separately through its CleanStart Fund. Given the UN's MDGs commitments, however, MicroLead PBAs *could* justifiably incentivize greater attention to the issue. Soft targets encouraging explicit environmental regulatory compliance, environmental loan screening, pursuit of environment products/services, and basic environmental impact reporting could be included in PBAs. Only two FSPs, BDBL and Buusa Gonofaa, were actively pursuing an environmental product but this is not attributable to MicroLead.

It is important to note, however, this low score did not materially affect overall impact or aggregate performance scores, but serves notice that the Fund could improve environmental performance and responsibility to MDG7.

Impact Assessment

The evaluation found MicroLead's outreach savings and credit services expansion, product innovation and new, market development impacts to have been modest to date and investments have yet to yield significant, low-income, savings mobilization results. Notably, DRC, Sierra Leone and Liberia investees have yet to secure savings licenses and the latter two are unlikely to do so during their PBAs. In South Sudan, only Equity Bank will meet its savings targets (recall, however that the evaluation cannot confirm this is low-income service with data/information received during or post evaluation). TA in Lao in Ethiopia has yet to alter FSP savings approaches, thus, to date, only BDBL and TRM have seen notable low-income savings service change.

With two institutions providing over 80% of net new saving services, and only four meeting minimum savings targets, growth across the portfolio is neither ideal nor well-distributed. Credit growth is similarly concentrated in four FSPs which account for 80% of net new credit clients. At the same time, there has been no significant savings product or service innovation.

The evaluation found TSP-led investments fared better than greenfields/existing FSPs (excluding Equity). While BRAC's focus on the poor is unqualified, it was unable to contextually adapt its model. Conversely, and as noted, Equity's more commercial approach had a strong focus on banking and credit services for higher income markets first, with a plan to focus on the poor at a later date.

FSPs did not leverage substantial additional financial resources attributable to MicroLead. Although TSPs played a notable impact-enhancing role in general, they did not leverage new funds as well as

[56] NGO stakeholders, multilateral development leaders, government officials, and several co-funders voiced the view that FSPs provide a natural and obvious place to demonstrate the advancement of women in business. Many recognized the link between environmental protection and poverty alleviation and suggested financial services for the poor can sustainably address both issues simultaneously.

greenfields. This may be related to a lack of fund raising experience/competency or lack of PBA mandate, or the relative youth of the programmes. At the policy level, the Fund had more indirect than direct impact, save in smaller markets and/or where TSPs were particularly active.

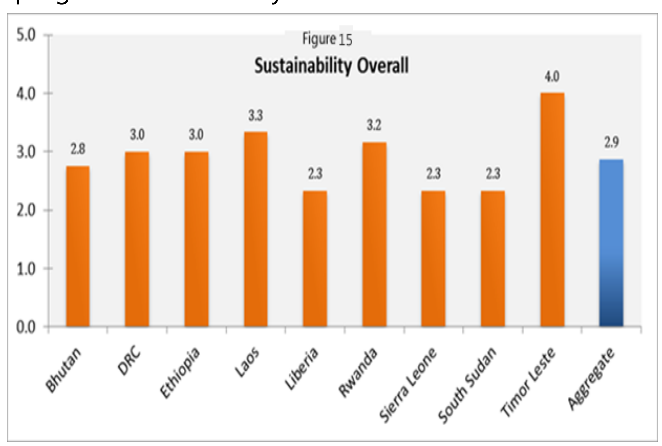
In the area of gender empowerment, MicroLead successfully advanced women client targets but has not created much product and service innovation aimed at meeting their specific needs. There remains an untapped opportunity to promote female participation in management and on boards and to encourage more and better poverty alleviation through environmental initiatives. Possible synergies between CleanStart and MicroLead investees might be forged to good effect.

Impact Recommendations

- Fund short term TA to boost savings innovation (for women)/outreach impact) particularly in countries lacking CTAs or TSPs.
- Set PBA soft targets as a means to:
    a. Encourage women in senior management and Boards of Directors positions;
    b. Compliance with national environmental legislation and regulation;
    c. Encouraging basic environmental loan screening; and
    d. Promotion of environmental products and services and synergy with CleanStart.
- Considered a simple social and environmental monitoring system, or scorecard (based, for example, on a simplification of the Global Reporting Initiative format). [57]
- Publish short, actionable articles on impact enhancement products/services (improving GNI, contribute to women's economic empowerment, biogas finance, etc.).

4.5 Sustainability

Sustainability is concerned with whether the benefits of programmes are likely to continue after MicroLead funding has ended. The primary sustainability FSP outcome is to support low-income-appropriate products and services on a sustainable basis through the promotion of savings-led FSP market leaders. For an FSP to be considered sustainable, it will no longer require donor subsidies to maintain (and grow) products and services indefinitely. As a result, the assessment of programme sustainability focused on FSP sustainability trends, linkages between FSPs and the private sector, and the quality of a MicroLead support exit plan.



Overall, MicroLead scored Acceptable on sustainability with a low of 2.3 for Liberia, Sierra Leone, South Sudan and a Very Good (4.0) for Timor-Leste. Scores on Key Questions, assessed below, were in a narrow band. (*See Figure 16*) [58]

[57] The Global Reporting Initiative supports a social, environmental, and economic report format which systematize is CSR reporting. The GRI is associated with United Nations Global Compact as well as links to ISO 26,000 social and environmental best practice management format. See https://www.globalreporting.org or more information.

[58] Please note that for the there are only two Key Questions addressed for the MTE which appear in this document as E1 and E3, question E2 or Extent to which there has been an overall positive trend towards sustainability of programme results at meso/ macro levels? was not included in analysis. Key Question numeration was made consistent with the PR to allow for comparisons between documents.

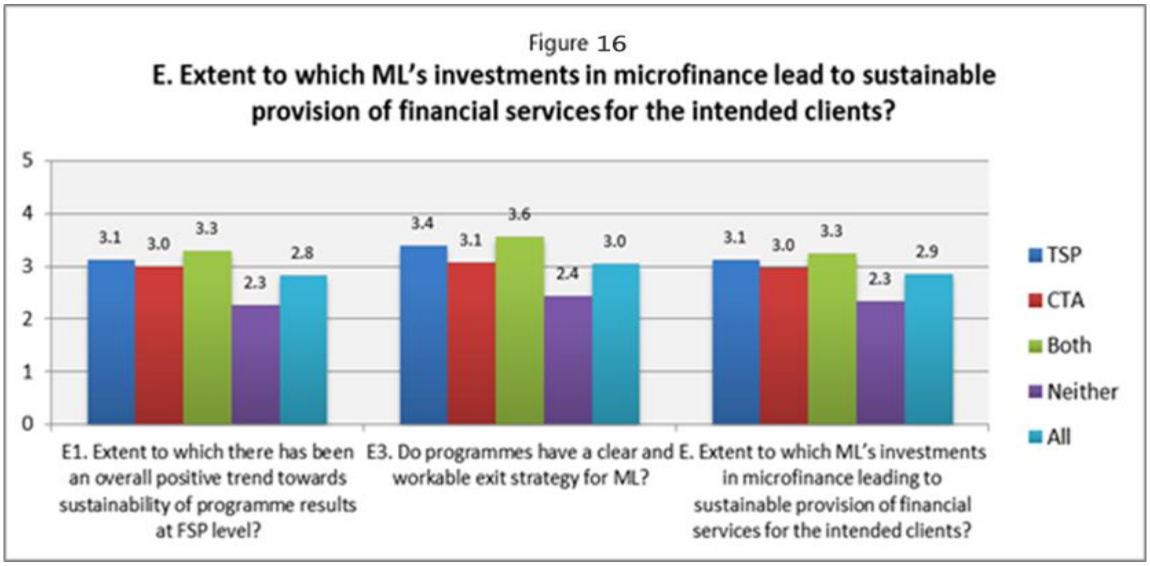


Table 15: MicroLead Investees - OSS and PAR

			PAR 30			OSS		
COUNTRY	FSP	On Track for Sustainability	Baseline	June 2011	Sept 2011	Baseline	June 2011	Sept 2011
Bhutan	BDBL	Yes	19%	24%	25%	146%	na	109%
DRC	OISL DRC	Too early to tell	0%	0%	0%	0%	12%	18%
Ethiopia	BASIX-Buusa Gonofa TA	Yes	1%	2.3%	na	155%	155%	138%
Ethiopia	BASIX-WASASA TA	Yes	2%	0.7%	na	154%	154%	182%
Lao	EMI	Yes	6%	6%	6%	114%	191%	114%
Lao	HOMCHAI	Yes	7%	10%	10%	125%	99%	99%
Lao	LUANG PRABANG	Yes	16%	26%	9%	137%	192%	136%
Lao	PAKSONG	No	32%	31%	36%	85%	136%	70%
Lao	SENO	No	18%	35%	34%	127%	117%	98%
Lao	SIPSACRES	Yes	12%	13%	5%	75%	81%	79%
Lao	THAKEK	No	33%	49%	68%	97%	130%	96%
Lao	XMI	Yes	0%	0%	0%	107%	222%	165%
Liberia	BRAC LIBERIA	Challenges	0%	14%	15%	0%	97%	72%
Rwanda	Equity Bank	No data	0%	Na	na	0%	na	25.32%
Sierra Leone	BRAC Sierra Leone	Challenges	0%	15%	16%	na	na	57%
South Sudan	BRAC South Sudan	No	1%	58%	69%	49%	37%	23%
South Sudan	SUMI	No	6%	18%	50%	47%	11%	6%
South Sudan	Finance South Sudan	Challenges	39%	8%	8%	64%	46%	55%
South Sudan	Equity South Sudan	Yes	0%	0%	1%	0%	218%	168%
Timor-Leste	BASICS/TRM	Yes	9%	2%	2.2%*	126%	135%	144%*
Average			11%	16%	22%	89%	120%	85%

*Data from TRM Quarterly report

E1. Extent to which there has been an overall positive trend towards sustainability of programme results at financial service provider level? Score: Acceptable (2.8).

This Key Question considers standard sustainability indicators for portfolio quality and operating self-sufficiency, measured at the beginning of programme (baseline) and then at June 30 and September 30 in 2011.

Portfolio Quality

FSP portfolio quality varied significantly across the portfolio. The overall average PAR30 was high, at 22%, up from a baseline of 11%, strongly affected by BRAC South Sudan (69%), SUMI (50%) and two Lao SCUs (Thakek and Paksong both removed from the portfolio). (See Table 15)

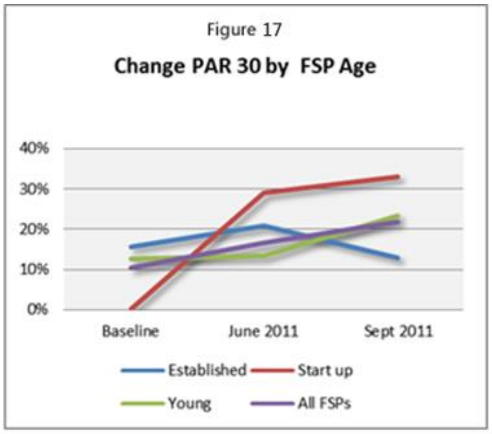
Controlling for the four SCUs removed from the Laos programme, average PAR30 drops from 22% to 17%. Established institutions (five years+) have the best PAR30.[59] The largest contribution to high overall PAR30 is attributed to start-up FSPs (0-1 years) which averaged 29% (June 2011) and 33% (September 2011). Removing the three South Sudanese investments made prior to MicroLead start-up reduced PAR30 to 19%. A similar pattern emerges when FSP provider type PAR is tested: For all greenfields/existing FSPs PAR30 drops from 16% and 22% in June 2011 to 7% and 8% at September 30, 2011 respectively. (See *Figure 17*, orange line compared to the purple line). BRAC Sierra Leone and Liberia have PAR 15% and 16% respectively, contributing to a relatively high greenfield PAR. The most noticeable change in PAR30 is for Finance Sudan from over 30% to 8%.

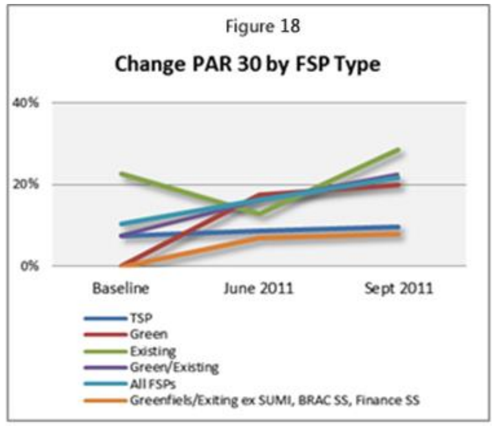
Operating Self-Sufficiency (OSS)

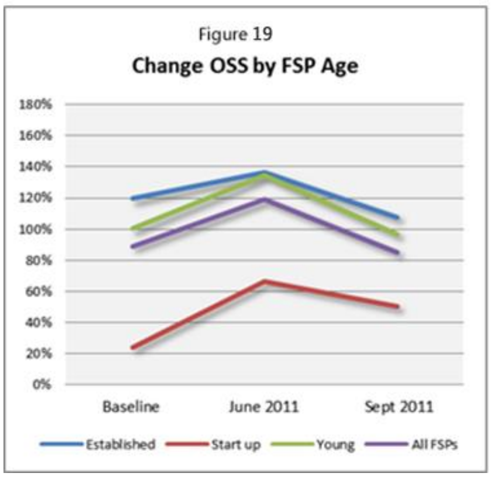
Portfolio OSS saw a modest upward trend from baseline to June 30, 2011 to 120% but retreated from June to September 30, 2011 to 85%, from June to September 30, 2011. (See *Figure 18*) Average performance was affected by SUMI (6%) and by BRAC South Sudan (23%), which, when removed, resulted in an average OSS of 95%. The recently added Ethiopian FSPs and Equity Bank South Sudan had over 150% OSS with great positive affect on the average. The small SCU Luang Prabang (136% OSS) and the MFI XMI (165% OSS) in Lao PDR also helped increase the portfolio average. If the suspended investments in Liberia and Sierra Leone are removed, overall programme sustainability score increased by 0.2 to 3.1 or from Acceptable to Good.

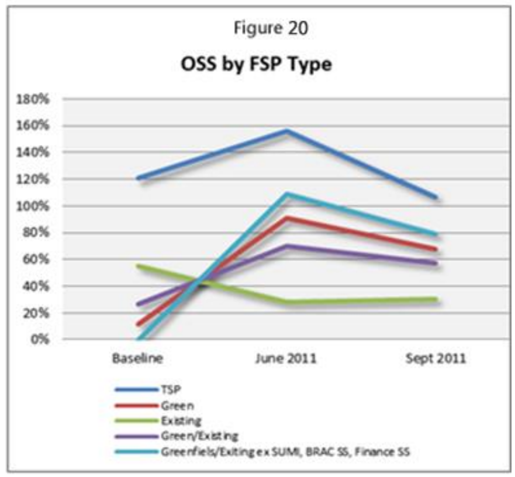
Of the 20 institutions originally in the MicroLead portfolio, ten can be considered on a track to sustainability, despite relatively low outreach achievement. (Performance for the two Ethiopian FSP added to the portfolio in July cannot be attributed to MicroLead and Sipsacres in Laos is no longer in the portfolio.) PAR substantially improved for Finance Sudan – but has deteriorated dramatically in SUMI. BRAC South Sudan has PAR over 50% and the institution is dramatically downscaling. BRAC's considerable non-financial program commitments and management of two other startups in Africa appears to have strained senior management and governance capacity. Other institutions scored better. Buusa Gonofaa and Wasasa in Ethiopia scored Good (3.0 - albeit pre-MicroLead investment performance). TRM-BASICS scored Very Good (4.0), indicating a strong sustainability trend. (See *Figure 19*) It is notable that wherever *both* TSPs *and* CTAs were present, sustainability scores were higher than when they were not. (See *Figure 20*) There were no significant differences in sustainability trends between TSP-led programmes and greenfields/existing FSP providers.

[59] Established institutional average PAR would improve if BDBL had more frequent repayment collections. Some BDBL loans are collected quarterly to annually due to travel cost constraints making many loans past due 30 days. BDBL reports PAR90 with Royal Monetary Authority of Bhutan permission.









E3. Do programmes have a clear and workable exit strategy for UNCDF/MicroLead? Score Good (3.0)[60]

Articulation of a clear and workable exit strategy from MicroLead tests the degree to which investees will remain viable into the future. MicroLead scored relatively well in terms of workable exits for the single FSP, BDB, near enough to the of its PBA to expect an exit plan to be in place.

All FSPs had business plans projecting sustainability, or demonstrated access to required subsidies by the end of PBAs; however, the extent to which planning takes place to meet projections was uneven. Annual and strategic plans were critical in this respect for FSP with PBAs expiring within 18 months. Only BDBL's PBA will expire in this timeframe, and informal planning has begun; but no exit plan had been prepared.[61] No other investee has yet to articulate basic exit considerations.

Sustainability Assessment

Given the risk profile of the Fund, it is notable that 60% of FSPs are likely to become sustainable, albeit not necessarily in the timeframe of their PBAs. The removal of four Laotian FSPs helped to

---

60 Question E2 or Extent to which there has been an overall positive trend towards sustainability of programme results at meso/ macro levels? was not included in analysis. Key Question numeration was made consistent with the PR to allow for comparisons between documents. See footnote 56.

61 Evaluators weighted exit plan considerations against outstanding program duration.

improve performance, as would any write-off exercise. In South Sudan, two of four FSP have promising overall sustainability trends, two do not, translating into a potential loss of 20% of the portfolio over phase one of MicroLead. Again, this performance is not outside the realm of high risk funds, yet represents a significant development return loss, as do the two suspended programmes in Liberia and Sierra Leone.

Sustainability trends reflect effectiveness challenges, where it was noted more proactive support might have reduced potential losses. More assistance to troubled investees via short term TA or CTA/RTA trouble-shooting consistent with high risk fund management may not guarantee better outcomes but would have much increased chances to do so than the current passive approach. MicroLead could productively improve reporting to support more accurate/timely trend analysis and develop governance policies supporting more active crisis intervention. (See also Section 6). Recommendations for improving sustainability reflect these last two Relevance and Project Cycle Management reporting observations.

Sustainability Recommendations

- Develop tools to better track, verify and report on performance in prioritized areas, including aggregated and disaggregated sustainability trend analysis for stronger monitoring, analysis and decision-making.
- Develop measures to report on financial sustainability trends including a MicroLead/donor dependency ratio.
- Review and reconsider MicroLead FSP crisis intervention policies.
- Designate funding for crisis management.
- Develop a clearer exit policy/strategy for MicroLead.

5.0 Project Cycle Management Quality

The evaluation assessed UNCDF's value-added in managing its investments against a broadly defined project cycle management framework: that is: i) management and oversight of programmes from design through start-up; ii) pipeline development; iii), due diligence; iv) investment selection; v) portfolio management; and vi) governance, monitoring/supervision, reporting and communication, and exit. Observations are also made with regards to management influence on impact, particularly around donor harmonization, sector development contributions, women economic empowerment and the environment. The evaluation also considers/assesses MicroLead's operating practice/principles in terms of governance and management, resource allocation efficiency, and investee satisfaction and the degree to which the Fund achieved its objectives in a clear and transparent manner.

Overall, MicroLead management performance has been acceptable to good depending on the context and management function. Performance did not vary significantly across the portfolio and no systemic issues/problems were observed other than a general lack of human resources and governance limitations. The evaluation found MicroLead has performed well as a solid, trust-worthy programme administrator, but less well in terms of proactively managing the risk inherent in the portfolio and resulting challenges/crisis.

5.1 Design and Start-up

MicroLead was established under the 'new product development agenda' as a complementary modality within FIPA to facilitate the funding of globally sourced "market leaders" to augment IF provision in LDCs with a focus on savings. Southern greenfield market leaders were the original investment preference for the fund, with TSP-led LTTA projects for existing FSPs being added later.

Compared to the country-level sector programmes, MicroLead's core value-added was its global nature which was to complement the local knowledge of CSPs with international good practice and innovation. MicroLead was also designed to overcome the often arduous fundraising, appraisal, and approval processes, and often times complex funding procedures, in country-level sector programmes. Led by a sole Programme Manager, Fund management was to rely, in part, on the FIPA network of regional offices, RTAs and CTAs and, where investments overlapped, with CSPs, it expected synergies to help investees and diffuse knowledge generated.

The evaluation found MicroLead developed a management structure as designed. The Fund succeeded in having a marked improvement in speed of placing and fielding investments compared to most CSPs. But lean management and the pioneering structure of the Fund resulted in some management miscues and miscommunications (e.g., in Laos and Ethiopia) leading to mostly minor delays in placing money (save ACLEDA in Laos). Successful fundraising efforts, however, provided a stable foundation for the fund both in the first phase and run up to the second phase.

5.2 Pipeline

MicroLead had an overly optimistic pipeline assessment and generated insufficient qualified applications for placing all of its capital during the first round of investments, as planned. Unable to fully commit funds in the first call later complicated project management as a second call was required, displacing substantial time and resources from portfolio management.

During 2008, as the Fund was being structured, there was concern it would not meet demand. There is no evidence that this concern was underpinned by systemic pipeline development. A short list of 56 "investable" FSPs was assembled but it is unclear how this list was compiled other than through informal conversations with FSPs, despite the fact that on the basis of the list, MicroLead projected demand of USD 20-25 million, upon which it planned future management resource needs/allocations.

This demand was substantially overestimated. A brief assessment of the pipeline list found eleven FSPs were part of northern microfinance network organizations which were not encouraged to apply to the Fund; another 18 were located in South America and unlikely to expand to eligible non-Spanish speaking LDCs, all of which save, Haiti, are located in Africa or Asia (of these, four were municipally-owned Peruvian FSPs unlikely to expand beyond their local markets let alone a continent away). Reviews of the financial situation and corporate plans of the remainder, including most Indian FSPs, suggest few were in the position to expand. Generously, the list of potential investee FSPs offered closer to 25 investible options.

The final number of first round applications MicroLead (15) was a relatively high response rate in retrospect. That only eight were deemed investable suggests demand was inadequately understood, overly optimistic or both. A more accurate estimate of investable FSPs would have provided a better understanding of the time and effort required for the Fund to become fully invested and may have increased the number of first-round investable proposals. It would have also avoided time and energy lost managing a second call for proposals simultaneous with the management of first round investments.

5.3 Due Diligence

Rigorous due diligence typically includes:

i) pipeline development/review of additionally (i.e., are there enough investable FSPs in need of investments and does MicroLead meet specific needs/add unique value);

ii) assessment of institutional, market and development risk; and

iii) estimation of a specific investment's contribution to overall portfolio risk.

MicroLead followed a clear and transparent investment selection process. Its structured due diligence, while imperfect, was solid, and an improvement over the informal selection process used for the three South Sudan investments made prior to MicroLead start up.

Eight of the original 15 applications were rejected for not meeting financial and/or developmental criteria. MicroLead then applied quantitative and qualitative scoring analysis to the remaining seven to determine financial risk, alignment with country and sector development needs, MicroLead value-added, FSP leadership considerations, and outreach potential. Investments were appraised (scored) by independent consultants with input from MicroLead staff, and discussed and approved by the MicroLead investment committee (IC).

An analysis of the qualitative and quantitative scoring systems used in the selection process showed the former to have generally higher scores than the latter, and that the quantitative scoring was better at predicting FSP performance. There are several possible explanations for this including exogenous variables such as the extent to which MicroLead serves post-conflict contexts (e.g., South Sudan) over more stable environments (e.g., Lao PDR); or contextual differences between countries explaining poor FSP performance. In at least three cases, there was a demonstrated lack of analytical discipline in the selection process, however.

First, IC discussions on the exportability of BRAC's model from Bangladesh to Africa did not receive much scrutiny, particularly given potential covariant/concentration risk. IC minutes related to BRAC decisions did not show substantial concern for the organization's capacity/competence, nor was there a documented assessment of the institutions purported success in Afghanistan and Uganda. There was little significant discussion regarding the organization's non-financial project work typically undertaken in countries of operation. BRAC's business plans were neither thoroughly assessed nor meaningfully contextualized: indeed, expansions in Liberia and Sierra Leone had almost identical financial projections for the first two years, with very little difference in the third year. The first year plans were also demonstrably similar to those of the BRAC South Sudan. Finally, the Fund did not take into consideration covariant risk related to investing 20% of its portfolio into a single post-conflict country (i.e., BRAC, SUMI, Finance Sudan, Equity Bank South Sudan).

Second, MicroLead did not rigorously assess and document additionality/added value. In the cases of Bhutan and Timor Leste, Fund FSP's and sector value-added was obvious, despite poor documentation. (See Section 5.1) In other cases, such as Equity Bank in South Sudan and Rwanda, and to a lesser extent Ethiopia, it was not. There was some informal value-added/additionality discussion but no rigorous documentation and, as such, no means to ensure/measure additionality/value-added.

Third, there was an insufficient due diligence assessment of whether investees would be able to offer savings and products services within the lifetime of the MicroLead PBA. The results, presented in Section 5.5, Impact, show that 50% of investees currently offer savings products and another two may do so in the near future. FIPA's experience with savings institutions and it's substantial on-the-ground knowledge/capacity, suggests either the IC was erroneously optimistic about the time required to start up institutions and/or take savings products to market, or it did not marshal sufficient information to make well-informed decisions.

Some documented IC discussion identified concerns that ultimately came to affect investee performance, particularly FSPs obtaining savings licenses in Sierra Leone and Liberia and BRAC's ability to manage three new greenfields simultaneously in Africa. Ironically, these concerns were duly noted, but to little effect, suggesting investment decision-making at the IC was inadequately balanced/developed, analysis was not properly heeded, and/or overly optimistic voices dominated decision-making. As mentioned, the qualitative analytics of due diligence were found lacking.

5.4 Investment Selection and Resulting Portfolio

MicroLead investments demonstrated a mix of financial and developmental risk. The three South Sudanese investments made prior to the final development of the Fund, represent the highest risk in the portfolio at both the FSP and the country level. Investments in BRAC in Liberia and Sierra Leone have less financial risk but offered substantial covariant risk. Investments in East Timor and Bhutan offer less financial risk as the former was supported by an established CSP and the latter had a near monopoly position in its primary markets/market segments (and implicit government guarantees). Later investments in Equity Bank Rwanda and those in Ethiopia were made in relatively stable, proven institutions and as a result, offered substantially less financial risk; though they offered the potential risk of crowding-out or unfair advantages in relatively well-developed markets (or at the same time incentivizing other FSPs to compete more aggressively).

The selection of investments shows a shift to less risk, greater outreach potential and better asset quality over time. The selection of larger, more stable commercial/corporate partners is not necessarily inconsistent with Fund objectives of supporting savings led FSP market leaders.

As noted, however, the degree to which investments offer financial value-added or additionality is less obvious: that is, did MicroLead affect substantial developmental impacts that would not have otherwise occurred either at the FSP or sector level? In the case of Ethiopia, the Fund invested in two relatively stable mid-sized financial institutions, even as larger government-owned FSPs had significant savings and credit outreach leadership in the low-income market. While investee institutions are privately owned, it is not immediately clear how they would become more "innovative" or market "leaders" and create sector development value-add or additionality. It is unclear and unverifiable how investments in Equity Bank South Sudan and Rwanda influenced the institutions' entry into either of these markets (as discussed in Part 5.1 and 5.2).

In the absence of measurable/defined elements/variables assessing value-add or additionality, the evaluation was unable to judge the efficacy of the selection process. In some cases, additionality was clear, as in the case of BRAC in Liberia and non-Equity Bank investments in South Sudan. In other cases, it was not. A simple matrix of variables, some quantifiable others qualitative would provide MicroLead management direction for consistently assessing and measuring additionality. This is needed if the Fund is going to invest in larger, stable and more commercial/corporate partners, where rigorous value-add/additionality assessments are required to test FSP financial needs, justify investments, and provide measurable outcome baselines.

The extent to which MicroLead provided catalytic capital, for example, could be measured by the degree to which FSPs provide co-payment for the project. Additionality could be measured as a function of MicroLead funding a specific product, market expansion plan, or as a percentage of available grantee investment/equity capital available for investments. At the very least, a cogent qualitative rational clearly outlining and justifying investments from an FSP and sector development additionality/value-add perspective can be documented and verified by the due diligence/selection process (with a template format to ensure consistent and comparable analysis). A more rigorous approach would enable more defendable and functional monitoring and evaluation of outcomes.

Selection/due diligence challenges might have been avoided by better use of existing feet on the ground, independent ML IC voices, or more management staff. A more rigorous qualitative due diligence process with added quantitative risk and additionality/value-added measures would have improved investment development and financial performance analysis.

5.5 Management and Governance

MicroLead management *per se* has done a good job given the minimal resources at its disposal to manage a portfolio of high risk investments. Inadequate resources, (e.g., need for an assistant programme manager or dedicated RTA/CTA time), limited the Fund's ability to proactively manage investments. This is particularly true given the many country specific challenges confronting investments and underscores the importance of a larger cast of capable and vested supporting players on the ground, particularly within CSPs (where applicable and RTAs where not).

At the broader level, the Fund's governance and decision-making structure limits investment management effectiveness. Personnel and governance shortcomings are confounded by a poorly articulated fund brand, leading to both under-utilized internal FIPA staff support and limiting external stakeholder interest/support.

Staffing

MicroLead's centralized structure, with a single New York-based PM, is a small human resource base for the management of such a fund. Unclear and undocumented RTA and CTA support responsibilities exacerbated management capacity limitations and resulted in limited Fund visibility in its markets, weak capacity for networking, inadequate inter stakeholder communications (internal and external to UNCDF), and limited management interaction with investees (particularly problematic investees).

It should be noted that stakeholders in every TSP-led investment uniformly noted that the level and quality of TSP service provided to MicroLead investees was quite good. In terms of cost efficiency, employing southern TSPs was also observed to be more cost efficient compared to using, for example, developed country technical service provision often employed through CSPs. MicroLead TSPs consist of teams of one or two in-country staff, supported by specialists sourced primarily from TSP home offices. That TSPs are from developing countries ensures lower average costs than is the case of developed international quality level technical specialists, often employed by CSPs. The Laos investment also benefits from CARD International's office and international consulting staff located in Vientiane.

FSPs did voice concern that some TSP specialists were not of international quality. It needs noting that there is always an incentive for TSPs to use their own specialists, not only because budgets are tight and international consultants are expensive, but also because TSP will always prefer to keep fees in-house. Ensuring FSPs have a strong say in the selection of experts and/or a formal TA quality feedback mechanism directly to MicroLead would help keep the TA-TSP income/margin calibration outside the efficiency/effectiveness calculation. This said, with appropriate caveats, the use of developing country TSPs has been an efficient use of funds, and good value.

Problem Management

Fund design and management constraints ensured little direct Fund management support to FSPs. The Fund's ability to respond proactively to grantee challenges as they arise is limited as a result. With few resources at its disposal, and lacking an intervention mandate, MicroLead *de facto* adopted a passive management strategy incommensurate (and inconsistent) with the risk inherent in its portfolio (i.e., the Fund acts like a corporate bond fund as opposed to a seed/venture capital fund).

The most notable shortcomings have been in South Sudan, where the size/nature of challenges easily outweighed the Fund's mandate/ability to respond. SUMI's meltdown, BRAC's and Finance Sudan's portfolio quality challenges were all identified as early as 2009/2010. The Fund relied on a third party arrangement with the CSP TSP (Frankfurt School of Management), which paid greater attention to the development of a FSP wholesale fund. UNCDF FIPA did not replace the TSP after its departure in February 2011 as budgeted in the CSP PRODOC.

More broadly and symptomatic of MicroLead's management and governance structure, a lack of capable management resources in situ, negatively affected coordination with government and other funders, and investee monitoring/support. The post-conflict context of high operational costs and limited human resources/capacity only compounded challenges.

More specifically, MicroLead and the FIPA system failed to support BRAC's transformation into savings institutions in both Sierra Leone and Liberia, as it did with OI in the DRC (all three countries had CSPs). Similarly, there was little programmatic or management value-added in the Equity Bank South Sudan and Rwanda investments (which could have included, for example, greater oversight on how the bank could more rapidly serve low-income markets); in Bhutan, Lao, and East Timor, FSP development, by contrast, can be attributed to TSP capacity building.

MicroLead investment intended use of RTAs/CTAs, from this perspective, was unsuccessful at worse, uneven at best, and did not generally add to Fund management effectiveness. Given the multiple and pressing demands of CSP commitments, and without formalized or incentivized MicroLead responsibilities, their support was less effective than originally planned. Save for a few cases where MicroLead management made specific requests for support, help was passive (e.g., basic fact finding and reporting). MicroLead was also expected to generate synergies with other GTIS but only Youth Start had really begun operations during the evaluative period of ML, and even it had very little time operating.

The contribution of the East/Southern Africa regional office was consistently rated by stakeholders as low, particularly related to government and donor relationship building, responsiveness to problems, stakeholder coordination and information sharing. Decision-making and feedback processes complaints were raised as examples of a failure to add value to programme effectiveness. There were bright spots illustrating expected FIPA ground support, however. In Ethiopia, the ILO/UN CDF microinsurance point person was particularly helpful moving Fund investment through the GoE approval process (even as the RO had complicated the same). Individual RTA input was not uniformly poor; several FSPs and SSOs reported satisfaction with RTAs (South Sudan), save the infrequency of interaction. There is general, if uneven satisfaction with the Asian and West African regional offices, again, save infrequency of interactions.

MicroLead's management function seems mostly limited to compile reports, manage correspondence with investees, have occasional face to face with FSPs, and review RTA and CTA reports. If, and when challenges arise, management engages in more pointed discussion via calls and or takes short fact finding missions, with official follow-up letters of concern where warranted. If an FSP's performance remains impaired, the Fund enforces PBA sanctions and/or suspend investments. This stands in contrast to a more active approach taken by funds with similar risk profiles (which provide more proactive, and, some would say, invasive support).

The lack of an intervention function is the result of several factors. First, MicroLead is by definition not a commercial risk fund and is structured to behave as a development fund (in spite of the added risk of doing so). A second, limited and poorly structured commitment with RTAs and CTAs constrains the Fund's ability to act. Third, the Fund – and FIPA generally – is infused with a developmental ethos eschewing proactive intervention, which is perceived to be invasive. That is, the Fund feels it cannot insist investees take certain courses of action even if such action is clearly in both the FPS's and the Fund's interest. For example: a more proactive fund would have been more involved in SUMI's restructuring (or at least worked to ensure claims on SUMIs assets); would have required Finance Sudan's parent company to recapitalize Finance Sudan; and would have more closely assessed the repute of BRAC's banker (Nile Bank), or insisted on faster transformation of BRAC in Sierra Leone and Liberia.

Reticence to intervene is axiomatically opposed to managing a fund with MicroLead's development and financial risk profile, and leads to statements such as "we can't possibly demand BRAC take short- or long-term TA," when, as its primary funder (investors), the Fund certainly does have the leverage to do so. If this sentiment is born of unalterable structural conditions, then the added risk must be accepted; if not, it is a clear barrier to solutions seeking that could help FSPs, protect Fund investments, and improve overall development returns. Potentially seeking positions on FSP Boards or having more intervention rights in the PBA in the event of poor performance would facilitate an acceptable, more proactive management approach.

Fund governance structure, or the relative lack thereof, is complicit with these shortcomings. Other than semi-annual BMGF report and regular (un-minuted) management meetings, there is little purposeful strategic fund governance and accountability. Relatively good communications with BMGF (the only external funder) offsets some risks inherent in weak governance, as does an independent mid-term review. These are not equivalent to the value enhancing oversight of regular (monthly or quarterly) Board meetings, particularly if independent voices are on the Board. BMGF participation provides some outside perspective, however, despite its high degree of risk willingness, it too is married to MicroLead's success, and its participation cannot be considered completely objective.

Most notably, from interviews carried out with key stakeholders, both parties appear to have had a demonstrably low level of active concern for the potential loss of 20% of funding and for almost no proof of savings-lead market leadership within its portfolio. This has led to MicroLead's reputation as a risk taking but 'easy-going' funder, one that does not set onerous funding conditions. Investees find Fund management processes/systems as relatively good and easy to manage. There has been praise for MicroLead feedback and follow-up service and that disbursements have been made in a timely manner.

Investees also find PBA targets to be fair, manageable and not particularly onerous. At the same time, as found in Section 5.3, PBAs influence has been uneven, and tends to work better when investees perform well than in challenging situations. In general, PBA incentives seem not to work because disbursements milestones are not sufficiently linked to performance targets. Negative incentives have also generally failed. The possibility of suspension in BRAC South Sudan did not spur the organization to restructure its business in a timely fashion; nor did it spur BRAC Liberia and Sierra Leone to address transformation delays.

PBAs, as they are currently structured, simply do not have sufficient negative and positive performance incentives to provide MicroLead management with effective leverage to induce investees to consistently work together for mutually beneficial development and finance performance change. Here is where MicroLead is most confounded by its business model and operating ethos. In the case of a passive debt fund (the closest finance fund analog), poor performance would mean calling a loan (or grant) which the investee would be obliged to repay. MicroLead could make the case for grant/loan repayment by SUMI, BRAC South Sudan, BRAC Liberia, BRAC Sierra Leone and possibly OI DRC. In the case of a seed/venture fund (the closest commercial fund analog), poor financial performance would give the Fund rights to proactively protect investments (e.g., insist on management change, governance change, inserting LLTA etc.). Instead, the Fund does neither, and, in the most dramatic case, it suspends loans incurring substantial financial and development opportunity costs.

Despite limitations inherent in its business model, MicroLead management has achieved a moderate level of value-added beyond supporting FSPs. From the outset, the 'selection' of countries has been well aligned with needs, identified development gaps, and risk-taking appropriate with UNCDF's IF results chain and mandate. Coordination with national partners (both country-level sector programmes and other funders) has been limited, however, by MicroLead's centralized structure (though apparently not to the detriment of FSP performance). Few national stakeholders were consulted during programme/investment decisions, even where national CSP ICs existed, MicroLead investments were often presented for information purposes only. Where CTAs had "bought into" the complementarity of MicroLead (e.g. Lao PDR and Rwanda), there was some, if limited, national partnerships/funder coordination non-financial value-added.

MicroLead's broader management value-added was notably clearer in TSP-led investments than in greenfields/existing FSPs. In Bhutan, BASIX regularly consults with the Royal Bhutanese Monetary Authority; CARD, along with the MFC in Laos, and BASIX and AEMFI in Ethiopia have also have notable and influential sector networks. In each case, there is observable, nascent diffusion of good practice inclusive finance and sector development knowledge. Moreover, in every case where there is a TSP, FSP performance by most measures is better than where there is not. These 'co-managers' of investments may also have been more successful in drawing more value-added from the MicroLead programme management (e.g., BASIX in Bhutan has good communications with the Asia FIPA regional office).

Overall, the Fund's centralised structure and limited capacity management, its business model, and PBA incentive system were found to be relatively "efficient" from a cost/management perspective and comfortable for investees, but sub-optimal for effectiveness. Where investees faced challenges – or prioritized corporate strategies over agreed PBAs – the Fund has been unable to influence the change required for investees to address/meet PBA agreements and hence the outcomes. Limited staff did not allow the Fund to meet its knowledge management mandate to any substantial extent.

External Stakeholders and Brand Management

The mindset voiced by MicroLead, and FIPA more generally, might best be described as a "we are too small to leverage big change", when it could easily be "we are a small but extremely dynamic and catalytic fund." MicroLead, in fact, acts less like a fund than a traditional, passive/reactive development programme, limiting its ability to generate financial and non-financial development outcomes. Positioning MicroLead as a high impact social seed/venture capital fund seeking both financial and development returns, and then actively managing this brand, would be a powerful means to enhance value added, market leadership and knowledge generation.

MicroLead leveraging potential also remains fully untapped. With few people on the ground in investee countries, linking with or directly leveraging new funding to the sector has been limited. In several markets (e.g. South Sudan, DRC, to an extent Sierra Leone and Liberia), stakeholders did not understand MicroLead's complementary role to the CSP, believing it was an uncoordinated, "parallel" funding source with limited sector level value added. Not coincidentally perhaps, there were few observable inter-UNCDF GTI complementary effects. This is most certainly due to the relative immaturity of other GTIs. Still, some impacts are emerging. CTAs and RTAs, for example, are beginning to recognize a greater and growing understanding of GTIs as complimentary to CSP mandates. Where the Fund once struggled to communicate its "brand" to RTAs and CTAs, the advent of other GTIs has sparked interest in the Fund's as an uncomplicated funding alternative, one that can be strategically applied yielding sector development gains. This has spurred limited proactive Fund support which might be indicative of more future RTA and CTA engagement.

5.6 Monitoring and Supervision

Since inception, MicroLead management has displayed modest/good investment monitoring performance, even if a more versatile monitoring mechanism would improve overall management. Relying on quarterly data provided by investees, the Fund's monitoring system offers sufficient quantitative data/information on FSP performance and facilitates identification of investee challenges in relatively timely fashion. Reporting provides sufficient information to confirm/assess progress towards programme targets, objectives and results. Data available from quarterly FSP reports entered into FIOL, however, are not consistently checked against adjusted data presentations of the MIX Market and/or FSP audited statements.

Additional financial and development outcome targets and data would increase reporting clarity and precision. Some balance sheet data would clarify ownership and capital needs/risks affecting FSP behavior and decision making (e.g., external funding amounts, sources, and terms) and allow for measuring/attributing MicroLead's catalytic capital effect. Adding GNI/capita targets for savings and borrowing accounts would ensure ability to assess, track and benchmark key outreach targets (e.g., the case of Equity Bank South Sudan). More precise/applicable definitions and measures of what constitutes a rural branch/rural client would ensure tracking of this key development indicator.

An improved performance data management system is needed to effectively store, retrieve and analyse data received from investees, especially as it pertains to financial investment data which is currently managed in excel spread sheets (Atlas in this regard is largely ineffective). This would be especially relevant for the 'combined' investments of loans and grants. Ease of data verification would be greatly facilitated by the planned migration FIOL data to the MIX Market platform.

Fund management was found to be diligent in reviewing the monitoring system for overseeing performance against outcome targets. Table 16 shows that management was able to identify emerging FSP problems early enough to ensure proactive management of issues/challenges, verifying the efficacy of the monitoring system. In several instances, FSP disbursements were not advanced to FSPs for failure to achieve PBA milestones. This includes decisions to suspend BRAC

Table 16 MicroLead Monitoring and Evaluation Summary

	BRAC SS	BRAC Liberia	BRAC Sierra Leone	SUMI	Lao (4 SCUs)
Notable Problem from FIOL trend analysis	Q3-2009 OER/OSS/PAR clear negative trends.	Q1 2011 stubbornly high PAR, flat line trend, high overheads, no transformation plan	Q1 2011 stubbornly high PAR, flat line trend, high overheads, no transformation plan	Q1 2009 OSS, OER and PAR clear, strong negative trends.	Q 2- 3, weak performance and insufficient/ineffectual management depth.
Problem Noted (officially)	2010 Interim Report BMGF 03/09/010	2010 Annual Report BMGF 03/03/2011	2010 Annual Report BMGF 03/03/2011	Q3 2010 Interim Report to BMBG 03/09/2010	Q3 2011 mission Pam Eser to Lao
Action Taken (officially)	First loan repayment due 15 Nov 2010; agreed to reschedule to 15 Nov 2011 New Strategy Report Q3 2011	USD 700,000 tranche scheduled for 11/01/2010 not made Grant suspended July 08, 2011	USD 700,000 tranche scheduled for 11/01/2010 not made Grant Suspended July 08, 2011	Passive action rely on GEMMS USAID consultant to plan restructuring, Updated plan from SUMI Q3 2011 SUMI responds to MicroLead letter requesting status of 2009 audit Q2 2011	Q4 2011 FSPs removed from CARD portfolio
Time from Problem Notable to Action Take	4 Quarters	3 Quarters	3 Quarters	10 Quarters	2 Quarters

Liberia and Sierra Leone grants for failing to meet savings objectives, to delaying disbursements for less critical failures (e.g., late reports). Clearer and earlier indications/warning of suspension to the FSP – and not just parent organization – might enable FSPs to plan for alternative funding. Even in cases where performance does not improve, a clear route to crisis reaction would create better prospects for salvaging investments, or avoid reputational risks of "abandoning" FSPs. Strategic disengagement options are not well developed and a policy guidance transiting through suspensions would benefit the Fund and FSPs.

5.7 Reporting and Communications

While monitoring systems provided sufficient management data and information, reporting was found to be poor as the Fund's main reporting/accountability vehicle, the semi-annual BMGF report (partially formatted by BMGF), was found to be dense, non-data driven and often, if unintentionally misleading. Qualitative and contextual explanations/interpretations and/or incomplete/inconsistent data presentation, in particular, confounded/misdirected attention from FSP performance findings.

A precise and accurate report should consist of a short executive summary of financial and development performance findings, followed by supporting data tables. Instead BMGF reports were dominated by textual reports led by stories of "success" often contrary to the prevailing Fund performance. The body of the report should have a consistent structure and report first on verifiable data including simple to read trend analysis for standard profitability indicators of OSS, FSS, ROA and ROE, as well as on PAR and operating expense ratios. Consistent, standardized development target data (e.g., outreach, gender targets, rural targets, etc.) should similarly be reported. All data should include target and baseline and variation from business plan/PBA targets to date and overall targets to date. Such information presented in a consistent format on a quarterly basis enables executive level analysis, facilitating more effective governance and management. Finally, short textual summaries of FSP performance issues and explanations should be put in an annex.

An assessment of MicroLead communications found it to be relatively insular, with little inter or intra agency communication/reporting. This limits "branding" opportunities, intra-FIPA learning and promotion, and sector development support. Many stakeholders suggested more effective coordination mechanisms was possible and desirable at the meso- and macro level, but required more conscious effort, specific targets, and more informed management communications than currently offered by the Fund.

More communications with stakeholders is also a knowledge generation opportunity lost, consistent with MicroLead's poor knowledge mandate performance. Inactivity on this front has left significant FSP, sector development, fund investment and management learnings untapped. Lack of knowledge generation and distribution is due in part to the relative youth of the Fund, but also to insufficient MicroLead management's resources capacity and tools/systems. An absence of specific knowledge management targets only compounds these limitations.

5.8 Investee Exit from MicroLead Investments

Exit from MicroLead investments was contractually clear via PBAs. Beyond business plans, however, there was limited documented evidence that investees were strategically prepared for the end of PBAs. This is not a surprise as most investees are less than two years into PBAs; however, investee stakeholders, particularly those in troubled FSPs or those supported by substantial TSP TA, could not articulate a cogent exit plan/strategy. Lack of such should be addressed prior to eighteen months remaining on a given PBA, particularly for smaller FSPs and SSO, and their management should include a formal exit policy for communications and planning purposes. A disbursement linked to exit plan could effect change in this respect.

5.9 Management Decisions Adding to Impact

Beyond investments that had impacts at the client level (see Section 4.5) other visible social impact contributions/influences made by MicroLead management directly or indirectly via programme decisions or through active CTA/RTA representation, included the hiring a female Programme Manager, appointment of a woman responsible for the Bank of Lao's participation in the CSP, and, indirectly, the hiring of a woman CTA in Rwanda. Notably, the TSP CARD had an almost exclusively female staff whereas BASICS in both Bhutan and Ethiopia are staffed by men.

MicroLead management had negligible impact on promoting and/or encouraging investee interest in environmental issues, save referencing the new CleanStart GTI. Some other opportunities for environmental promotion exist however. MicroLead could lead by example through communicating its travel carbon off sets and internal environmental initiatives. Adding CPPs soft targets to PBAs successfully encouraged institutions to join the initiative.

5.10 Management Recommendations

- Add two full-time staff (management assistance and knowledge generation).
- Articulate RTA and CTA roles and responsibilities related to MicroLead.

- RTA and CTA MicroLead/GTI management training, including incentivization of, sensitization to and concrete guidance on potential synergy and value add to country and regional portfolios.
- Develop governance consistent with Fund risk profile including proactive management intervention policy and independent voices (i.e., not related to UNCDF or main funders).
- Provide proactive problem resolutions tools (e.g., discretionary S/LTTA funding, pre-negotiated PBA management intervention clauses, positive PBA incentives).
- Operationalise budget and measure knowledge generation targets.
- Define, track and report on non-financial impact targets (e.g., rural clients, rural branches, direct and indirect management gender and environmental decisions etc.).
- Define and track specific non-FSP strategic Fund priorities (e.g., leadership positioning, knowledge generation, innovative products, CPP focus, etc.).

6.0 Summary, Recommendations & Lessons Learned

6.1 Summary

The MicroLead Mid-Term Evaluation found investee, programme and management performance to be uneven, more Acceptable than Good overall.

To date the Fund had yet to spur true savings-led market leaders in low-income markets, and in no case, save perhaps those of TMR and BDBL, has the Fund substantially helped to increase/improve the capacity and standards of national inclusive finance. Neither has there been substantial expansion of savings services to low-income client in any country, save BDBL and South Sudan (where low-income market service was unverifiable during the time of the evaluation). Similarly, Fund investees have not introduced notable product or service innovations beyond minor adaptations of "off-the-shelf" product/services. And while the majority of FSPs in the Fund portfolio are no better off or weaker than they were when they entered the portfolio, many investments are still new and sustainability trends are positive for 60% of investees. Finally, there are some indirect and a few direct meso- and macro-level outcomes, particularly in TSP-led investments.

Given the challenges of operating a high risk fund in difficult market contexts, these findings are not unexpected; some investments will inevitably not be as successful as others, financially or developmentally. If all investments were successful, in fact, MicroLead would probably not be taking appropriate levels of risks or providing much additionality/value-added. Thus qualified, the evaluation highlights areas where improvements could enhance better outcomes, including the recognition and articulation of a more proactive fund model, a more disciplined investee selection process, more management resources, proactive and more independent governance, and stronger tools for performance analysis.

6.2 Programme Summary

Picking 'winning' investments is never simple and MicroLead has not been able to consistently identify the nexus of FSP risk, stakeholder alignment, investee market leadership potential, and additionally/value-added. Investee selection can almost always be better in hindsight, and the evaluation findings tell us, irrespective of the market context, that MicroLead had the greatest chance of success where there was close alignment with UNCDF's mandate and sector needs, dedicated, informed and committed personnel on the ground and/or a strong understanding of the broader corporate motives and strategies of FSPs. Simply choosing to invest in larger less risky FSPs and markets, as the Fund has done in its later investments, will not necessarily maximize fund development and financial returns: developing the tools and an ethos to seek out the development nexus noted above, will ensure the greater additionality critical to the Fund's mandate.

Minimizing challenges throughout the project cycle is, to a great extent, predicated upon selecting the right FSPs or TSPs, so in this regard, selection is also key. Weak pipeline development contributed to mediocre investment selection despite a relatively good due diligence (overly optimistic and often undisciplined qualitative analysis aside). Three investments in the nascent South Sudanese market - however valid from a development perspective - did not aid overall programmatic performance and added significant covariant financial and developmental risk, particularly as the SSMDF did not support investments as strongly as originally planned.

The lack of solid and well-articulated additionality/value-added strategy represented a substantial opportunity cost to UNCDF/MicroLead. A clearer and more coherent approach presented more visibly in the broader inclusive finance donor and stakeholder marketplace would attract and catalyse more like-minded investors. It would also contribute to more effective programmatic management by shaping and sharpening decision making to better align investments with UNCDF's inclusive finance development results chain, as would greater knowledge management and diffusion. Finally, the Fund's South-South linkages proved to be successful, if uneven.

6.3 Management Summary

As should be expected for a high-risk investment fund, MicroLead management consistently encountered context- and partner-specific challenges across its portfolio which demanded fast, informed, sensitive, and proactive managerial response and action. In general, MicroLead management has had solid programme administration, but its centralized business model, relatively informal governance structure, and lean management structure has not consistently supported performance maximization. The Fund initially counting on support and synergies from CTAs and RTAs which has been intermittently available but a coherent system for investment supervision and crisis management was not developed during the evaluation period. The Fund would have benefited from a Programme Management Assistant and Knowledge Generation Manager positions and should consider staffing these positions as soon as possible.

The risk nature of the Fund demanded more resources than was available. From an investment perspective, MicroLead's closest commercial analogue is a high impact social seed/venture fund. Such Funds have relatively fast deployment and high risk tolerance, but differ in their proactive management and oversight, robust performance monitoring tools, flexible and autonomous management and strong governance. Such funds proactively intervene to protect fund development and financial interests. MicroLead has some of these characteristics but is managed more like a low operational cost passive debt fund/programme development fund, both of which are unlikely to maximize returns or to critically push FSPs to achieve the greatest results possible. These observations apply to various degrees to other GTIs, however, given the distinct and innovative/new thematic objectives of other funds, less so than a fund like Microlead.

As a high impact social fund, MicroLead is clearly under-resourced for the risks and outcomes it manages. Key personnel risk alone suggests the Fund's "just enough" management model is neither a desirable nor workable outcome-maximizing strategy. The unanticipated second round of calls for investments and resulting management efficiency and effectiveness cost illustrated this finding. That the Fund is also part of a relatively large institutional bureaucracy further drives up management resource needs. There is evidence that the MicroLead strategy of leaning on the CTAs, RTAs and other FIPA staff was sound but lacked specific and formal responsibilities and did not secure support on a consistent or high quality basis. This is a case of good strategy but poor execution.

By contrast, where the evaluation saw strong vested interests in broader Fund objectives, with codified tasks, responsibilities, and accountability and incentive structures, pretty much all aspects of management performance was better. Creating more engaged FIPA network support/synergy for MicroLead to tap during design and throughout the project cycle would undoubtedly enhance overall performance. More use of TSP-led programmes, given their consistently superior performance, should also be considered, particularly for the successful application of South-South linkages. Retaining greenfield experts to support and oversight greenfield financial and development outcome performance as it develops is also worth considering. Such investments may drive costs up slightly but would likely increase development returns over the life of the Fund.

Improving Fund governance will also enhance performance, particularly via better investment decisions and crisis management. Strengthening the relatively good monitoring system, adding more financial data, improved analysis and better presentation will also support better performance. More concise and consistent reporting would also benefit Fund management and governance.

PBAs were found to have improved over the life of the Fund, but findings suggest further enhancements could help management effectiveness. As a tool, PBAs were found to be least successful in the case of poor performance where one would hope they would work the best. The risk of suspension, it turns out is not influential and all but erases Fund leverage. Linking disbursements milestones more to performance targets and negotiating larger, later stage disbursements would enhance performance, as could positive performance incentives (e.g., bonus grants for meeting targets). Stronger negative incentives such as grant repayment for failure to meeting targets are also appropriate to consider.

MicroLead has not met it's generate knowledge aspirations, representing a significant but not yet lost opportunity cost. MicroLead has had an incredible journey and must share its experiences beyond sharing "learnings" informally at conferences and meetings. There is no shortage of important sector development learnings: e.g., not all greenfields are the same; active versus passive market leadership; how GTIs affect micro, macro and meso level sector development, etc. More in-depth management lessons should be mined as well (e.g., cost/benefits of investing in evidence based pipeline development, cost/benefit of proactive crisis support, implications of proactive versus reactive management, effective PBAs, etc.).

6.4 Lessons Learned

MicroLead experience offers several lessons learned with some offering insight beyond simple performance evaluation findings. The main lessons learned, some which bring together programme and management issues together, are elaborated upon below.

6.4.1 Technology is Changing the Nature of Risk, Market Leadership & Additionality in Inclusive Finance (in some countries more than others)

MicroLead was born towards the end of the "the brick and mortar" era of inclusive financial development and at the cusp of an electronic/mobile technology driven sector. Throughout the first three years of its life, the relatively traditional approach of funding small microfinance institutions to grow rapidly through the introduction of conventional best practice processes and procedures was becoming less relevant, at least in the mid-term, or for the duration of most MicroLead investments in many markets compared to the potential of electronic/mobile banking. Indeed, electronic and mobile phone banking systems – including point of sales and agency banking technologies etc. – are rapidly emerging to change not only the nature of inclusive finance, but naturally , what constitutes market leadership in the near future. It is also changing the nature of the risk and possible additionality/value-added of traditional donor funding.

Obviously, both development risk and financial risk are affected. The substantial capital and sophisticated human resource requirements of technology driven systems require larger institutions like Equity Bank to mount and manage. Larger institutions such as these tend to be responsible to a range of stakeholders and shareholders. Larger institutions are also more like conventional banks: while their hearts may say low-income, some of their more influential stakeholders (dominated by shareholders) as the MTE points out, seem to say seek profitability first.

Social impact remains important but can be subsumed or delayed within the broader set of objectives larger institutions tend to manage for, among them profitability priorities. Equity Bank in South Sudan and Rwanda exemplify this; local senior managers were clear and consistent in their articulation of a "profit first, low-income market second" strategy. Low-income markets will be served by the current MicroLead partners both Rwanda and South Sudan, but only when it is profitable to do so.

What services will be offered is good question? Will they be basic account balance enquires and transfer services, or will they include more sophisticated agency banking cash in cash out services vital to low-income markets; and how will credit services be employed, if at all? These questions represent substantial development risk and additionality opportunity for MicroLead, one that PBAs have not adequately addressed.

If scalable, low-income savings mobilization "leadership" looks more like Equity Bank than say Bussa Gonofa or Wasasa – as it does in an increasing number of markets – what is the value-added role for relatively small fund like MicroLead? What can the Fund offer that the private sector cannot? Is it reasonable to expect MicroLead to use its funds to lever FSPs into the electronic market as PFIP did in Fiji/South Pacific with Digicel and as is expected by ML investing in WestPac?

In some cases, perhaps, but as the Fiji example demonstrated, concerted stakeholder networking at all three levels of the inclusive finance sector was required, particularly at the macro level – not a key priority or strength of MicroLead. By contrast, MicroLead can still accomplish much in markets where more and better savings mobilization can be supported via traditional means, such as in Bhutan. Efforts may include seed funding for banks reluctant to downscale, financing specific expansion technologies (POS services), or working in combination with other funders including Mobile Banking for the Poor GRI to underwrite the cost of introducing mobile banking for new entrants to the field.

What is clear is that the additionality/value-added of MicroLead related to electronic/mobile banking will necessarily take on a different shape if the Fund's investments are to support and add value to market leadership efforts. Funding more and better savings products and outreach in coordination with CSPs and Mobile Banking for the Poor should be considered given the multiple developmental elements required for expanding electronic/mobile banking.

6.4.2 MicroLead: High Impact Social Venture/Seed Fund in Development Agency Fund in Clothes?

Throughout the report, references are made to MicroLead's closest commercial comparator fund, a high impact social venture/seed capital fund. While imperfect, this comparison provides the means to reflect on the strengths and weaknesses inherent in MicroLead's business model and risk profile.

One of the most significant differences with this comparator is the degree to which MicroLead pro-actively manages investments. As opposed to its comparator, MicroLead acts more like a low risk, passive debt fund. And while the MicroLead's monitoring and evaluation system is relatively good at identifying emerging investee challenges, its ability to respond strategically as opposed to passively is limited. Given the Fund's risk profile, problematic investments are to be expected, but the inability or unwillingness to respond proactively unnecessarily puts stakeholder capital at risk. A more proactive fund would have responded to situations differently, such as providing/insisting upon proven FSP restructuring management capacity in SUMI or insisting on BRAC South Sudan restructuring plans much earlier. A more proactive fund would be able to use its relatively good data monitoring and reporting system much more strategically. Part of why this did not happen is that governance (as noted and as detailed below) is weak, but more broadly, the strategy of writing letters, engaging in frank phone discussions, and sending in overworked RTAs for short meetings does not maximize Fund performance. MicroLead's development fund management ethos compounds these constraints.

6.4.3 Multi-Dimensional Due Diligence is Required

The nature of due diligence for a fund such as MicroLead is necessarily multidimensional in a way that it is not for most private sector funds, and per force includes both institutional/investment and development risk. With the latter, MicroLead must calculate the risk of an investment becoming sustainable, and for the former, determine if it will do so while offering low-income savings mobilization leadership.

MicroLead's due diligence system was found to be relatively effective even though its qualitative assessments tended to be overly optimistic. At the portfolio level, however, MicroLead did not adequately assess/estimate financial the concentration /covariant risk, or if it had the IC accepted a very high and arguably unnecessary level of financial and development risk for undocumented reasons (e.g., disbursement pressure, poor decision making, etc.). Certainly the informal investment pipeline development did not yield the number and quality of applications expected to meet disbursement objectives. Perhaps too, the Fund's application criteria were too narrow to generate the quality opportunities (e.g., initially discouraging northern network organizations). In either case, the limited FSP universe in the first round arguably adds more risk to the portfolio.

Identifying risks as they relate to desired outcomes is a second critical function of due diligence. A more methodical analysis would necessarily include a formalized analysis/measurement of key development risks and outcomes, such as (and at its simplest level) value-added/additionality, leadership, sustainability, and outreach (for example).

Figure 23 provides the output of a multidimensional due diligence analysis. Each axis represents the aggregate scores of any number of definable variables for each theme represented: including the currently unmeasured concepts of additionality/value-added, and leadership. The closer to the centre the more the risk: the further out the less (figures are not based on data and are shown for illustrative purposes only). Risks in Ethiopian investments shows some potential leadership and outreach returns but less value-added and poor sustainability returns. By contrast, Equity Bank South Sudan shows low leadership, sustainability, and outreach risks, but higher impact and value added risk.

The multidimensional nature of MicroLead's mandate demands a more sophisticated and quantitative approach to ensure development risk and financial risk are minimized and potential sustainability, outreach, and leadership are maximized in each investment and across the portfolio. Such an approach will also support qualitative analytics and can effectively counter balance qualitative bias (especially from influential IC members).

6.4.4 Understand What Drives Investees for Better Investment Decisions and Outcome Maximization

Understanding the fundamental impulses driving FSP corporate decisions makers is as critical to making good investments as it is to understanding an institution's approach to problem resolution. In this regard, the evaluation found, not surprisingly, that not all institutions are driven by the same impulses. This is particularly true of BRAC and Equity Bank greenfields, two quite divergent, greenfield models: one is driven by a corporate strategy built on establishing a successful commercial bank (Equity); the other is driven by a closely held social mandate and related FSP model (BRAC).

BRAC's delayed reaction to growing portfolio quality problems in three of its four African subsidiaries (not including Uganda, which is not in the MicroLead portfolio) was conditioned by a corporate strategy/model of rapid scaling-up of low-cost branches and utilization of proprietary credit methodology proven only in high density home market: in addition to not having experienced a crisis, it appears that BRAC could not adapt its model. The considerable cost (financial/human resource and reputational) of altering its model and managing non-related multimillion dollar social development grant programs had considerable impact on the institution's ability to grapple with its serious problems. Limited senior management capacity within its network only served to exacerbate challenges. In South Sudan, reaction to BRAC's portfolio meltdown was far too slow and perhaps, to the detriment of MicroLead, far too ineffective to turn the institution around by end of their PBA. By contrast, but also indicative of the importance of understanding corporate impulses, MicroLead did not anticipate Equity Bank South Sudan would place foreign exchange currency and service charge earnings from larger clients, government and salaried employers before expansion to low-income markets.

Figure 23 – Idealized Multidimensional Risk Evaluation Methodology Output

The impulses that drive FSP in-and-of-themselves are important to understand, particularly from the perspective of desired development outcomes. Better understanding of what drives an institution will help MicroLead structure more contextually and institutionally specific PBAs supporting better development outcomes; it should also allow for more timely and appropriate interventions/support in times of trouble. A business case study on institutional impulses by FSP type would represent valuable general knowledge generation and a management enhancing opportunity.

6.4.5 More PBA Power can be Unlocked to Lever Better and More Development Outcomes

PBAs not only spell out the contractual relationships between MicroLead and its grantees, they also provide the Fund with the leverage to encourage a range of development outcomes. The primary means of doing this are performance targets and disbursement milestones; another is soft targets such as encouraging SMART campaign participation.

In order to maximize PBA leverage, they must be well-structured and well-enforced, and, as noted, PBAs were relatively good and saw improvements over time. But their influence, also noted, was uneven. For example, the Fund made a classic PBA mistake of disbursing upfront all or the great majority of grant funding to SUMI, BRAC South Sudan, Finance South Sudan and Equity South Sudan. This reduced leverage as BRAC and SUMI encountered operating difficulties. The PBA for Equity Bank South Sudan was found inadequate as it relied to the bank's intentions to serve the low-income market, as opposed to the Equity Bank Rwanda PBA which specified average loan balance and average savings balance per capita GNI targets. Only four of 20 FSP PBAs expressly requires GNI targets, giving MicroLead a proxy indicator with which to monitor low-income service performance, (and, of course, the leverage to address poor performance).

The evaluation found PBAs to have broader leveraging potential power than MicroLead was exploiting. The consistently applied female client service targets shows PBAs can affect strong development impact. Similar success has been seen in the soft target encouraging FSPs to sign up to the SMART campaign. Using soft targets to encourage greater interest or attention to women empowering services, participation in FSP decision making, and the environment would further maximize the relevance and development outcomes impacts of MicroLead.

As per CGAP's advice, the Fund employs a few well-chosen targets to ensure clarity and focussed attention on important goals. The evaluation also found that grantees did not consider targets onerous or difficult, suggesting MicroLead could profitably expand PBA hard and/or soft targets to enhance effectiveness and improve/broaden development impacts. This might also help to maximize Fund leverage throughout the life of a PBA. Ensuring a final substantial disbursement much closer to the end of each PBA could also work. As potentially powerful, would be linking all but an initial start-up disbursement to performance targets, though this can be challenging as estimating timing of results is always difficult. Adding a positive financial incentive at the end of a PBA is another way to provide greater leverage for MicroLead. Such incentives could be linked directly to business needs, specific product developments, market expansion, or to mutual knowledge generation interests. Finally, considering grant repayments for development or financial non-performance should be considered, particularly for network organizations where goals/capacity of a single FSP can be affected by broader corporate goals.

6.4.6 Independent Voices, Greater Structure, More Activism Make for Better Governance

As noted, MicroLead is essentially a high impact social venture/seed capital fund being managed by a development agency. Funds of this type often have a different governance structure aimed at ensuring not only good investment decision-making, but active strategic asset management. The governance structures of such funds often have major funder representatives and some outside, independent perspective. Funds usually also have a Board of Directors or advisory board. In the case of the former, members typically vote on important issues, whereas in the latter, members provide outside perspectives to guide decisions. Typically, boards meet monthly or quarterly.

MicroLead has no discernible governance structure. Investment decisions are made by the FIPA IC, composed primarily of FIPA senior managers. The major investor, BMGF, is not a voting member but has a vested interest in the Fund meeting its outcomes. Fund governance meetings are twice annually, and as a result, fund "governance" is weak with inherent biases. This is reflected in the tone, nature, style and content/bias of interpreting and reporting of results.

Independent oversight/perspective would provide a check and balance against internal interests. Greater oversight of the pipeline, for example, may have provided a more accurate estimation of eligible and appropriate investees, avoiding significant downstream costs and poor investment decisions. It may have also pointed out concentration/covariance risks and counter balanced qualitative investment analytical optimism.

6.4.7 MicroLead is a Relatively Low Cost Fund: Perhaps too Low Cost

MicroLead management effectiveness and efficiency in supporting development outcomes is significantly constrained by the Fund's low cost business model. The intention to use CTAs and RTAs as part of MicroLead's support team was not as successful as hoped. Most RTAs and CTAs have large portfolios of which MicroLead was considered an extra, informal addition to their responsibilities. As a result, FIPA staff attended to MicroLead investments infrequently and as an add-on to CSP visit one or twice a year, if at all (e.g. DRC). Even managing modest interventions on behalf of MicroLead proved challenging for FIPA staff.

Examples of strong FIPA staff support were limited but illustrative (e.g., ILO/UNCDF microinsurance finance point person in Ethiopia and CTA Rwanda) providing proof positive that more FIPA staff attention to MicroLead investments is forthcoming when they see it as a tool for their own work. The 2010 initiative to quantify FIPA staff support to MicroLead will help formalize expectations/responsibilities. Codification of roles responsibilities and accountability will also go a long way to improving RTA and CTA involvement in MicroLead.

TSPs also provided management support and PBA contractual obligations seem to ensure a strong sense of responsibility to meeting outcome targets. They also provides MicroLead management "feet on the ground" resulting in better design and availability to assist in any number of matters. TSPs are also associated with greater macro- and meso-level impacts as well. So while the TSP model may be more expensive at mid-term, on a net new savers/depositor basis, greater and broader development outcomes may ultimately result in a better cost-benefit ratio particularly in countries without FIPA feet on the ground.

6.4.8 MicroLead Experience to Midterm is a Rich Source of Knowledge to be Tapped

The MicroLead experience offers rich veins of knowledge generation yet to be mined. Management has gathered and diffused knowledge at a handful of conferences and through the FIPA network, but not much more. SSOs such as AEMFI and MFC, and to a lesser extent TSPs are sharing best practice information. Overall, there is little formal information collection and diffusion however, and the Fund has relied on informal/organic means of diffusion which is variously, but for the most part, not particularly effective.

Through PBAs, better incentives for FSPs to participate activity in knowledge generation could be developed. If market leadership is to be more than a market- based demonstration of competitive advantage, then MicroLead should consider soft knowledge management PBA targets and funding collaborative knowledge generation initiatives with/between FSPs (as per YouthStart's initial efforts towards such).

Given the relative lack of resources and capacity available for developing and contracting formal knowledge management pieces, and given the fact that the Fund (Phase I) is now almost fully invested, it is not surprising knowledge management has taken a low priority. Not mining data and information, experiential or otherwise, in the expansion phase would represent a significant lost knowledge generation opportunity. An appropriately scaled knowledge management agenda set out at the beginning of the Fund's life would not only have focused attention on outcome performance, but would have allowed the Fund to assess issues from a longitudinal perspective. Use of various social tools as the Fund evolved would have enhanced MicroLead's brand and competitive advantage.

6.5 Summary of Recommendations

General Recommendation

At the most general level, the MicroLead Mid-term evaluation recommends the Fund adopt some aspects of a high-impact social venture fund culture. That is, manage investments more proactively in pursuit of development and financial return maximization, assess the costs and benefits of more human resources, and better assess the institutional impulses of investees. This might challenge a fund operating within the United Nations system, but with many simple actions, elements of a high-impact fund culture could be successfully and appropriately adopted.

Also at a general level, MicroLead should shed its "small fund" ethos as it is a leading and powerful catalytic force for change in inclusive finance. This should be reflected in its culture as a source of pride. Culture and pride are not just for a better office atmosphere; they are motivating forces for setting high standards of investment success – in terms of dynamism and proactive engagement with the search for optimal investment opportunities and the protection of those investments – on par with the culture and standards of private-sector funds. With the coming MasterCard expansion, the opportunity to redefine MicroLead both internally and vis-à-vis CTAs, RTAs and other stakeholders, is greatly enhanced. So is the opportunity to manage and enhance the FIPA brand.

Finally, while the evaluation has shone more light on challenges than its many good outcomes, greater coherence and more robust fund management are within reach. The specific recommendations found at the end of the DAC and Project Cycle management sections which address many of these more specific issues and are repeated below for the sake of convenience.

Relevance

- Ensure future investments have multiple, vested programmatic and expert input to design.
- Carefully evaluate the relevance of greenfield investments, taking into account the relative advantages of different kinds of risk-taking related to business models.
- Ensure MicroLead investment strategy is well aligned with FIPA mandate and intervention logic, as well as a projected evolution of the target inclusive financial sector development.
- Develop a quantitative due diligence tool to systematically identify and measure all types of investment risk and FSP/sector additionality expectations.

Effectiveness

- Document the different impulses or influence behind business models at the investment structuring stage of investment and monitor through life of PBA.
- Increase staff resources for monitoring investee progress beyond quarterly reports (e.g., catalytic capital, macro/meso influences, market leadership effects, etc.)
- Consider consulting support (PBA required) to monitor and support greenfield investments.
- Set clearly articulated, measurable and accountable financial sector development outcomes, including macro, meso and knowledge generation targets.
- Require clear documentation of UNCDF's intended/expected investment input value-added during due diligence, in investment decision reports, and in PBAs;
- Have investees disclose funding from all sources (amount and purpose) at the time of investment as well as annually;
- Produce case studies of MicroLead-CSP synergies leading to improved outcomes.
- Produce case studies on MicroLead's experiences with greenfield investments. Establish key lessons learned and channel these lessons into programme and management guidance.

Efficiency

- Increase staffing through:
    a. Formalization of roles, responsibilities and accountability mechanisms of RTAs, CTAs and other, internal UNCDF stakeholders (e.g., job descriptions, staff incentives and staff appraisals);
    b. Increase programme staffing by two full-time-equivalent (programme staff and/or administrative assistant and knowledge management expert).[62]
- Establish discretionary budget for rapid response/ support for FSP experiencing difficulties.
- Link financial and development outcomes to disbursement milestones.
- Expand the standardized reporting template to incorporate more reporting on knowledge generation, client protection principles and other innovations.
- Review the structure of the incentives in PBAs and consider adding/enforcing repayment of grants due to non-performance, and positive incentives for performance that, by the end of the PBA period, exceeds targets.

Impact

- Fund short term TA to boost savings innovation (for women)/outreach impact) particularly in countries lacking CTAs or TSPs.
- Set PBA soft targets as a means to:

[62] The addition of two full-time-equivalent (FTE) funding allocations, with the benefit of MasterCard Foundation funding, should provide sufficient support, depending on roles, responsibilities and capacities.

a. Encourage women in senior management and Boards of Directors positions;

b. Compliance with national environmental legislation and regulation;

c. Encourage basic environmental loan screening; and

d. Promote of environmental products and services and synergy with CleanStart.

- Considered a simple social and environmental monitoring system, or scorecard (based, for example, on a simplification of the Global Reporting Initiative format). [63]
- Publish short, actionable articles on impact enhancement products/services (improving GNI, contribute to women's economic empowerment, biogas finance, etc.).

Sustainability

- Develop tools to better track, verify and report on performance in prioritized areas, including aggregated and disaggregated sustainability trend analysis for stronger monitoring, analysis and decision-making.
- Develop measures to report on financial sustainability trends including a MicroLead/donor dependency ratio.
- Review and reconsider MicroLead FSP crisis intervention policies.
- Designate funding for crisis management.
- Develop a clearer exit policy/strategy for MicroLead.

Management Value Added

- Add two full-time staff (management assistance and knowledge generation).
- Articulate RTA and CTA roles and responsibilities related to MicroLead.
- RTA and CTA MicroLead/GTI management training, including incentivization of, sensitization to and concrete guidance on potential synergy and value add to country and regional portfolios.
- Develop governance consistent with Fund risk profile including proactive management intervention policy and independent voices (i.e., not related to UNCDF or main funders).
- Provide proactive problem resolutions tools (e.g., discretionary S/LTTA funding, pre-negotiated PBA management intervention clauses, positive PBA incentives).
- Operationalize, budget and measure knowledge generation targets.
- Define, track and report on non-financial impact targets (e.g., rural clients, rural branches, direct and indirect management gender and environmental decisions etc.).
- Define and track specific non-FSP strategic Fund priorities (e.g., leadership positioning, knowledge generation, innovative products, CPP focus, etc.).

[63] The Global Reporting Initiative supports a social, environmental, and economic report format which systematize is CSR reporting. The GRI is associated with United Nations Global Compact as well as links to ISO 26,000 social and environmental best practice management format. See https://www.globalreporting.org or more information.

Appendix 1: Scores for MicroLead Programme and Management Performance

MicroLead Programme Scoring Matrix

Overall Evaluation Question	Key questions	Sub-questions for PR and MTE	Bhutan (ML)	DRC (CSP/ML/YS)	Ethiopia (ML/YS)	Laos (ML/CSP)	Liberia (CSP)	Sierra Leone (CSP/ML)	South Sudan (ML/CSP)	Timor (ML/CSP)	Rwanda (CSP/ML/YS)	*Overall*
RELEVANCE												
		PR:										
A. Are UNCDF's microfinance sector programmes and thematic initiatives strategically relevant, given its mandate, instruments and comparative advantages?	a1. Extent to which programmes objectives have been aligned with UNCDF's broader mandate, IF strategy and results chain.	1.1. Extent to which programme objectives reflected UN/UNCDF results frameworks (MDG, FIPA)	3	4	4	4	3	2	3	3	3	*3*
		1.2. Extent to which PRODOCs reflected UNCDF mandate to take risks in challenging/ CAE contexts?	4	3	4	3	3	1	4	3	1	*3*
		1.3. Extent to which sector assessments/ design took specific needs of women into account in terms of targeting and products/services?	2	3	2	2	3	2	2	3	2	*2*
		1.4. Extent to which sector assessments/ designs took specific environmental needs into account?	2	0	2	0	0	0	0	1	0	*1*
		1.5. Extent to which assessments/design integrated cross-cutting objectives of good governance, and effective aid management?	3	1	3	2	1	1	1	2	1	*2*
		ML/YS:										

		1.6. Extent to which investments imparted or could impart future additionality/comparative advantages or added unique value to UNCDF country programmes/other GTIs?	4	1	3	4	1	1	2	2	3	*2*
	Subscore A1		18	12	18	15	11	7	12	14	10	13
	A2. Extent to which programmes are effectively integrated into the national development strategy (poverty reduction strategies) and UN planning and results frameworks (CCA, UNDAF) at the country level?	**PR:**										
		2.1. Extent to which programmes aligned clearly with national context for poverty reduction?	3	4	3	3	3	3	3	3	3	**3**
		2.2. Extent to which programme designs aligned with/complemented national UN development plans/strategies (CCA, UNDAF)?	3	4	2	2	2	3	3	2	3	**3**
		2.3. Extent to which programme designs addressed specific market needs/gaps?	3	4	3	4	3	2	4	4	3	**3**
		2.4. Extent to which designs reflected understanding of national leg/reg. environment (were challenges realistically assessed and addressed?)	3	2	3	2	1	1	1	3	3	**2**
	Subscore A2		12	14	11	11	9	9	11	12	12	11
	A3. Extent to which programmes are aligned & coordinated with the strategies of other donors/part	**PR:**										
		3.1. Extent to which assessments/designs were consulted with in-country stakeholders (UNDP, funders, government, IC)?	2	1	3	1	1	3	2	2	3	**2**

	ners/ government in the IF sector and UNCDF's value added is clear?	3.2. Extent to which programmes articulated UNCDF additionality and/or unique value added (for FSPs or sector development)	4	1	2	2	2	1	2	1	2	2
		3.3. Extent to which designs/objectives were aligned with strategies and needs of investee FSPs?	4	4	4	4	2	4	4	4	4	4
		3.4. Extent to which programme designs included/promoted effective funder/sector coordination?	1	1	1	1	1	3	1	2	1	1
	Subscore A3		11	7	10	8	6	11	9	9	10	9
	A4. How appropriate have programme investments been to the country/sector/ FSPs?	**PR:**										
		4.1. Extent to which choice of intervention (Greenfield, TA to existing FSPs, and/or combination) was relevant to country context/sector?	4	3	3	4	4	1	4	4	3	3
		4.2. Extent to which selected instruments (loans, grants) aligned with identified market/FSP needs and absorption capacity?	3	3	3	3	2	3	3	4	2	3
		4.3. Extent to which programmes were designed to address industry development gaps?	4	3	3	4	4	2	2	4	4	3
		4.4. Extent to which programme objectives have remained valid (relevant to FSPs) during implementation/been adjusted to accommodate developments?	3	2	4	4	2	3	2	4	4	3
		ML/YS:										

		4.5. Extent to which investments identified specific additionality or added unique value to FSPs?	4	2	3	4	3	1	2	4	1	**3**
		4.6. Extent to which UNCDF investment objectives and targets were relevant to the TSPs and FSP investees?	4	3	3	4	2	3	2	4	2	**3**
		4.7. Extent to which ML applicants' financial projections were realistic (have been met or revised)?	2	2	3	3	1	0	1	4	2	**2**
	Subscore A.4		24	18	22	26	18	13	16	28	18	20
Relevance	**Subtotal scores A – Max score (21 x 5) = 105**		**65**	**51**	**61**	**60**	**44**	**40**	**48**	**63**	**50**	**53.56**
	Average score – A		**61.90 %**	**48.57%**	**58.10 %**	**57.14%**	**41.90 %**	**38.10%**	**45.71%**	**60.00%**	**47.62%**	**51.01 %**
EFFECTIVENESS	B1. Extent to which the programmes are achieving their specific objectives and results (outcomes) at retail level	**PR:**										
B. Are UNCDF's investments in microfinance effective in terms of achieving their intended results?		1.1. Extent to which larger FSPs/ML TSPs have been catalyzed into new markets/products that they may not otherwise have reached?	3	3	3	3	1	1	2	3	2	**2**
		1.2. Extent to which specific (PBA) performance targets set for retail interventions have been met as at Jun 11 (timely)?	2	1	3	3	1	1	1	4	1	**2**
		1.3. Extent to which FSPs' performance has exceeded comparable MIX benchmarks at as Jun 2011?	N/A	1	2	0	3	1	1	3	3	**2**
		ML/YS:										
		1.4. Extent to which ML/YS FSP targets/outcomes were reflected in UNCDF FIPA results framework?	3	2	3	3	3	2	3	3	3	**3**

		1.5. Extent to which ML/YS has helped leverage grantee FSPs' ability to scale up and innovate?	3	1	3	3	2	1	1	3	1	**2**
		1.6. Extent to which ML's savings focus/YS' youth focus has resulted in stronger, more resilient FSPs?	3	0	3	4	1	1	1	4	1	**2**
	Subscore B1		14	8	17	16	11	7	9	20	11	13
	B2. Extent to which the programmes are achieving their specific objectives and results (outcomes) at financial sector (meso) level?	**PR:**										
		2.1. Extent to which programmes have contributed to building a stronger industry (capacity, coordination, infrastructure, advocacy) in country?	2	0	3	3	2	1	1	2	2	**2**
		2.2. Extent to which UNCDF-funded SSOs[1] (meso-level) have met the needs of FSPs?	N/A	N/A	3	4	N/A	2	N/A	N/A	N/A	**3**
		2.3. Extent to which the frontier for innovations has been 'pushed'?	3	1	2	2	1	1	1	1	1	**1**
		2.4. Extent to which programmes have resulted in better ability of industry to advocate [for client protection]?	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	**N/A**
		ML/YS:										
		2.5. Extent to which programmes have resulted in increased standards/capacity for MF sector?	3	1	2	2	1	1	2	3	2	**2**
		2.6. Extent to which good practices/new knowledge have been established/ disseminated by FSPs/TSPs in country (to stakeholders)?	2	1	3	2	1	1	1	2	1	**2**
	Subscore B2		10	3	13	13	5	6	5	8	6	10
	B3. Extent to	**PR:**										

	which the programmes are achieving their specific objectives and results (outcomes) at policy (macro) level	3.1. Extent to which targets for policy improvement were clear and easy to monitor?	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	**N/A**
		3.2. Extent to which programmes positively influenced/supported changes in the enabling policy environment?	3	1	2	3	2	1	3	2	3	**2**
		3.3. To which extent were pilots/projects conducive to policy-level improvements?	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	**N/A**
		3.4. Extent to which national policy for client protection has improved as result of programmes?	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	**N/A**
		ML/YS:										
		3.5. Extent to which results of ML/YS at country level have enhanced the results of sector development programmes (evidence of synergies)?	3	1	3	2	2	1	1	3	2	**2**
	Subscore B3		6	2	5	5	4	2	4	5	5	4
	B4. Extent to which programmes have supported significant changes in systems and processes in counterpart organisations?	**PR:**										
		4.1. Extent to which UNCDF targets for systems & procedures changes have been set for FSPs? Associations? Policy makers?	3	2	3	3	2	3	2	4	2	**3**
		4.2. Extent to which set targets were being timely met by FSPs? Associations? Policy makers?	3	1	3	2	1	1	1	4	2	**2**
		4.3. Extent to which counterparts expressed satisfaction with programme results attained?	4	1	4	3	2	2	1	4	2	**3**
	Subscore B4		10	4	10	8	5	6	4	12	6	7

	B5 How well have programmes contributed to better coordination and funding availability in the financial sector?	**PR:**										
		5.1. Extent to which investments approved by IC have contributed to a more inclusive financial sector?	3	2	2	2	2	2	1	2	2	**2**
		5.2. Extent to which government/co-funding counterparts expressed satisfaction with programmes?	4	2	3	3	0	2	3	3	3	**3**
		5.3. Extent to which IC composition and influence has ensured increased effectiveness of programmes?	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	**N/A**
		5.4. Extent to which level of coordination in sector has increased since start of UNCDF investment in country?	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	**N/A**
	Subscore B5		7	4	5	5	2	4	4	5	5	5
Effectiveness	**Subtotal scores – B Max. score (24 x 5) = 120**		**47**	**21**	**50**	**47**	**27**	**25**	**26**	**50**	**33**	**36.22**
	Average score – B		**52.22%**	**24.71%**	**55.56%**	**49.47%**	**31.76%**	**27.78%**	**30.59%**	**58.82%**	**38.82%**	**41.08%**
EFFICIENCY	C1. To which extent have amount and duration of investments been sufficient to deliver outputs/outcomes within reasonable time period?	**PR:**										
C. To what extent have programme outputs attained to date been commensurate with the input of resources and time allocated?		1.1. Extent to which budget at start of investment has remained sufficient to attain set targets by Jun 2011?	4	3	3	1	2	3	3	3	4	**3**
		1.2. Extent to which programme unit costs of investment are in line with global cost-levels of UNCDF/ML/YS?	3	2	3	2	3	3	2	4	2	**3**

		1.3. Extent to which USD investment value has produced development outcomes> average for sample/ML or UNCDF portfolio as a whole as at Jun 2011?	0	1	2	0	1	1	1	4	2	**1**
	Subscore C1		7	6	8	3	6	7	6	11	8	7
	C2.To which extent are institutional and implementation arrangements sufficient to generate expected outputs and outcomes?	**PR:**										
		2.1. Extent to which grantees/investees have had/developed capacity commensurate with tasks/responsibilities in programme?	3	3	3	2	1	0	1	4	3	**2**
		2.2. Extent to which originally set indicators were being reported on accurately and timely to UNCDF?	3	4	3	3	2	3	3	3	3	**3**
		2.3. Extent to which implementers perceive targets as reasonable, given budgets, HR and technical capacity?	2	3	2	2	2	2	3	3	4	**3**
		2.4. Extent to which programme governance arrangements have supported efficient management of programme resources?	3	2	3	3	1	1	1	2	1	**2**
		2.5. Extent to which programme management has been results-based and innovative?	3	2	2	3	2	2	2	3	2	**2**
		2.6. Extent to which programmes perceive UNCDF management (approvals, disbursements, monitoring, follow-up) to be efficient and timely?	4	3	4	4	1	3	3	4	4	**3**
		ML/YS:										

		2.7. Extent to which project/programme M&E systems included: - a baseline of target clientele and market? - performance indicators linked to baseline? - indicators for monitoring development processes?	5	4	5	4	3	1	2	4	4	**4**
		2.8. Extent to which knowledge management targets were set and supported (resources provided)?	1	1	0	0	1	1	1	1	1	**1**
		2.9. Extent to which feedback mechanisms for knowledge management were defined/ developed?	2	0	1	3	1	1	1	4	1	**2**
	Subscore C2		26	22	23	24	14	14	17	28	23	21
	C3. To which extent has UNCDF's incentive systems been efficient in attaining programme output and outcomes?	**PR and ML:**										
		3.1. Extent to which that the UNCDF PBA system incentivized performance for FSPs?	3	2	3	3	1	1	1	3	1	**2**
		3.2. Extent to which PBA conditions have contributed to improved efficiency of programme management?	3	3	3	3	1	2	0	3	1	**2**
		3.3. Extent to which PBA indicators and targets have been perceived as appropriate, relevant and trackable by implementers?	3	3	3	3	3	2	3	3	3	**3**
	Subscore C3		9	8	9	9	5	5	4	9	5	3
Efficiency	**Subtotal scores – C Max. score (15 x 5) = 75**		**42**	**36**	**40**	**36**	**25**	**26**	**27**	**48**	**36**	**35.11**
	Average score – C		**60.00%**	**48.00%**	**57.33%**	**48.00%**	**33.33%**	**34.67%**	**36.00%**	**64.00%**	**48.00%**	**47.70%**
IMPACT	D1. To what	**PR:**										

D. To what extent have the UNCDF programme investments contributed to MDG1 (likely impact*)?	extent have the program-mes contributed to improved access to financial services for low-income people?	1.1. Extent to which UNCDF-funded FSPs have increased outreach to clients (net change # clients)	2	2	3	3	3	1	1	4	2	**2**
		1.2. Extent to which average savings balance/GNI per capita has decreased over period of funding?	3	1	2	3	1	0	2	3	1	**2**
	Subscore D1		5	3	5	6	4	1	3	7	3	4
	D2. Extent to which UNCDF funding has helped FSPs achieve sustainable growth in underserved markets/market segments?	**PR:**										
		2.1. Extent to which UNCDF-funded FSPs are concentrated in underserved markets/market segments (average financial depth, rural penetration)?	4	2	2	4	3	3	2	4	1	**3**
		2.2. Extent to which UNCDF-funded FSPs have display quality portfolio growth rates at par with or exceeding average growth rates for country (growth + PaR)?	2	2	3	2	1	1	1	3	3	**2**
		2.3. Extent to which UNCDF-funded FSPs have improved their OSS over period of funding to <100%?	2	2	3	2	1	1	0	4	2	**2**
		2.4. Extent to which clients expressed overall satisfaction with changes in FSP products/services over period of funding?	4	1	4	3	4	N/A	3	N/A	3	**3**
		2.5. Extent to which investments have opened new market segments (geographic or thematic (product-wise))?	3	1	2	2	1	2	1	3	2	**2**
		2.6. Extent to which investments have resulted in product and service innovation?	4	1	2	2	1	1	0	3	2	**2**

		2.7. Extent to which % deposit value/loan portfolio value has increased over period of investment?	3	1	3	2	1	1	1	4	3	**2**
		2.8. Extent to which sector-level changes have occurred in response to investments (copycat products/services, increased competition, improved performance etc.)?	2	1	2	3	2	1	2	3	3	2
	Subscore D2		24	11	21	20	14	10	10	24	19	18
	D3. Extent to which UNCDF funding leverages increased resources for FSPs beyond initial investments ?	**PR:**										
		3.1. Extent to which UNCDF-investments resulted in FSP co-financing from other sources (catalytic effect)?	3	1	2	2	2	3	1	4	1	**2**
		3.2. Extent to which [net change in portfolio value and deposits mobilised/UNCDF funding] has decreased over period of funding?	3	2	2	2	2	1	1	3	2	**2**
	Subscore D3		6	3	4	4	4	4	2	7	3	
	D4. Extent to which programmes have had positive impact on industry and policy level in country?	**PR:**										
		4.1. Extent to which key stakeholders at meso and macro-level perceived UNCDF-funded initiatives to have had positive impact?	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	**N/A**
		4.2. Extent to which programmes have fostered governmental commitment towards pursuing the MDGs?	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	**N/A**
		4.3. Extent to which knowledge generation has had positive impact at sector level/among stakeholders?	1	1	3	3	1	1	1	1	1	**1**
	Subscore D4		1	1	3	3	1	1	1	1	1	1

	D5. Extent to which programmes have impacted women's economic or social empowerment?	PR:										
		5.1. Extent to which PBA requirement of 50% women clients have been met by programmes?	3	3	2	3	4	4	2	4	2	**3**
		5.2. Extent to which % of female sr. managers and BoD members of UNCDF-funded FSPs has increased over period of funding?	1	2	2	2	2	1	2	3	3	**2**
		5.3. Extent to which financial/non-financial services/products or delivery mechanisms have specifically promoted women's economic/social empowerment?	2	3	3	2	4	3	2	2	1	**2**
		5.4. Extent to which this impact has been monitored? Reported to UNCDF?	4	3	4	4	2	1	2	3	1	**3**
	Subscore D5		10	11	11	11	12	9	8	12	7	10
	D6. Extent to which programmes have had positive impact on environmental challenges in country?	PR:										
		6.1. Extent to which financial/non-financial services/products, delivery mechanisms or operational systems have specifically promoted good environmental practices?	4	0	2	2	1	0	0	2	1	**1**
		6.2. Extent to which this impact has been monitored? Reported to UNCDF?	2	0	2	0	1	0	0	0	1	**1**
	Subscore D6		6	0	4	2	2	0	0	2	2	2
Impact	Subtotal scores – D Max scores (21 x 5) = 105		52	29	48	46	37	25	24	53	35	38.78
	Average score – D		**54.74%**	**30.53%**	**50.53%**	**48.42%**	**38.95%**	**27.78%**	**25.26%**	**58.89%**	**36.84%**	**41.33%**
SUSTAINABILITY	E1. Extent to which there	**PR:**										

E. Extent to which UNCDF's investments in microfinance leading to sustainable provision of financial services for the intended clients?	has been an overall positive trend towards sustainability of programme results at FSP level?	1.1. Extent to which all UNCDF-funded FSPs have met sustainability targets by Jun 2011?	2	2	2	2	1	1	1	4	2	**2**
		1.2. Extent to which all UNCDF-funded FSPs have increased financial sustainability (OSS > 110%, positive RoA) over period of funding (by age)?	2	2	3	2	1	1	1	4	2	**2**
		1.3. Extent to which FSP management has been localized by Jun 2011?	N/A	4	2	N/A	1	2	3	3	2	**2**
		1.4. Extent to which technical sustainability has been attained by UNCDF-funded FSPs as at June 2011 (e.g. functional, accurate MIS)?	3	3	2	2	2	2	1	5	3	**3**
		1.5. Extent to which the trends towards sustainability are positive across the UNCDF country portfolio of FSPs?	3	2	4	2	2	1	1	4	3	**2**
	Subscore E1		10	13	13	8	7	7	7	20	12	11
	E2. Extent to which there has been an overall positive trend towards sustainab-ility of programme results at meso/ macro levels?	**PR:**										
		2.1. Extent to which national SSOs/ counterparts 'own' (independently manage) meso and macrolevel initiatives funded by UNCDF?	N/A	N/A	N/A	4	N/A	N/A	N/A	N/A	N/A	**4**
		2.2. Extent to which business or strategic plans document continuation of meso/macro initiatives beyond expected period of UNCDF-funding?	N/A	N/A	N/A	2	N/A	N/A	N/A	N/A	N/A	**2**
	Subscore E2		0	0	0	6	0	0	0	0	0	6
	E3. Do	**PR:**										

	programmes have a clear and workable exit strategy for UNCDF?	3.1. Extent to which appropriate mechanisms have been put in place to grow private sector financing to reduce dependency on UNCDF funding?	3	2	2	2	1	2	2	4	3	**2**
		3.2. Extent to which phasing out of sector support/thematic programme has been incorporated in annual work plans?	2	2	2	3	2	2	2	3	2	**2**
		3.3. Extent to which mechanisms included handing-over/succession planning and phase-out of interventions?	2	3	3	3	2	1	1	3	4	**2**
	Subscore E3		7	7	7	8	5	5	5	10	9	2
	Subtotal scores E Max. scores (10 x 5) = 50		17	20	20	22	12	12	12	30	21	18.44
	Average score – E		**42.50%**	**50.00%**	**50.00%**	**55.00%**	**30.00%**	**30.00%**	**30.00%**	**75.00%**	**52.50%**	**46.11%**

MicroLead Management Scoring Matrix

Overall Evaluation Question	Key questions	Sub-questions for PR and MTE	Bhutan (ML)	DRC	Ethiopia	Laos	Liberia	Sierra Leone	South Sudan	Timor	Rwanda	Overall
RELEVANCE												
		PR and ML:										
	A1. Extent to which programmes have been aligned with UNCDF's broader mandate, IF strategy and results chain.	1.1. Degree to which global portfolio reflects UNCDF's IF focal areas and priorities?	3	2	2	3	3	2	3	3	2	3
		1.2. Degree to which UNCDF/ML is meeting the 'taking risks' objective[1] in its global portfolio? Through GTIs like ML?	2	3	2	3	2	1	4	3	1	2
		1.3. Degree to which there is consistency between portfolio programme design and UNDP/UNCDF's standard IF programme?	3	1	2	3	2	2	2	2	2	2
		1.4. Degree to which programme intervention logic employed UNDP/UNCDF's competitive advantage (i.e., catalytic capital)?	3	3	2	3	1	1	2	2	1	2
		1.5. Degree to which UNCDF has ensured that cross-cutting objectives of good governance, and effective aid management were addressed in programme designs?	2	1	2	2	1	1	1	2	1	1
		ML:										
		1.6. Degree to which ML investments have supported high level outcomes of UNCDF's strategic results framework?	3	1	2	3	2	1	3	2	1	2
		1.7. Degree to which ML is designed to be complementary to country programmes?	0	1	2	3	1	1	2	3	2	2
		1.8. Degree to which ML lessons learned have informed design of other thematic initiatives?	1	2	2	0	2	2	2	1	2	2
		Subscore A1	17	14	16	20	14	11	19	18	12	16
	A2. Extent to which UNCDF's value added is clear?	**PR and ML:**										
		2.1. Degree to which UNCDF programmes have addressed gaps not filled by others?	3	2	2	4	3	1	2	3	2	2

		2.2. Degree to which UNCDF additionality was assessed and documented at time of appraisal of programmes?	2	1	1	2	1	1	2	1	1	1
		2.3. Degree to which UNCDF's specific additionality or unique value added has been articulated in co-funded programmes?	2	1	2	1	1	1	1	1	1	1
		2.4. Degree to which partners recognized UNCDF's approach and role as unique (standing of UNCDF in donors community/ appreciation by key SH; involvement in implementation of national/funder strategies/priorities)	3	1	2	3	1	1	2	2	1	2
		2.5. Degree to which UNCDF has measured value added by relevant indicators?	3	1	1	2	1	1	0	1	1	1
		2.6. Degree to which UNCDF's positioning and catalytic function has been enhanced by programmes?	3	1	2	3	1	1	1	3	2	2
		2.7. Degree to which UNCDF policies and management arrangements of subsidies safeguarded against market distortion (e.g. loan interest rates, concentration of TA grants)?	2	2	2	2	2	2	2	2	2	2
		2.8. Degree to which a level playing field has been safeguarded (competitive bidding, use of national TA providers)?	2	2	1	2	2	1	1	2	1	2
		ML:						0				
		2.9. Degree to which UNCDF input added specific value for TSPs (market leaders)?	2	1	2	2	1	2	2	2	1	2
	Subscore A2		22	12	15	21	13	11	13	17	12	15
	A3. How appropriate have programme investments been to the country/sector/ FSPs?	**PR and ML:**										
		3.1. Degree to which UNCDF has selected appropriate FSPs/TSPs for its investments?	3	3	3	1	1	1	1	3	4	2
		3.2. Degree to which selected FSPs/TSPs were appropriate (had documented capacity) for country context/sector?	3	2	3	3	1	1	1	3	3	2
		3.3. Degree to which selected instruments (loans, grants) have been appropriate for the countries/sectors?	3	2	3	3	2	2	2	3	1	2

		3.4. Degree to which UNCDF has supported relevant programme revisions during implementation to accommodate developments?	2	1	2	N/A	1	2	1	3	2	2
	Subscore A3		11	8	11	7	5	6	5	12	10	9
	Subtotal score A – Relevance		**50**	**34**	**42**	**48**	**32**	**28**	**37**	**47**	**34**	**39.3**
Relevance	**Average score – A**		**59.52%**	**40.48%**	**50.0%**	**######**	**38.10 %**	**33.33%**	**44.05%**	**55.95%**	**40.48%**	**46.88%**
EFFECTIVENESS												
B. Are UNCDF's investments in microfinance effective in terms of achieving their intended results?	B1. To which extent are institutional and implementation arrangements appropriately designed for the successful achievement of programme objectives/outcomes?	**PR and ML:**										
		1.1. Degree to which UNCDF funding has catalyzed FSPs/market leaders into new (LDC) markets or products that they may not otherwise have reached?	3	3	2	2	1	1	2	2	1	2
		1.2. Degree to which funding partnerships (ICs) have increased programme effectiveness?	1	1	2	0	1	1	1	2	1	1
		1.3. Degree to which synergies between GTIs and country programmes have been exploited?	2	1	3	3	1	1	1	3	3	2
		1.4. Degree to which funding partnerships with governments (Gov voting on ICs/govt no objection) have increased programme effectiveness?	3	1	2	1	1	2	1	2	2	2
		1.5. Degree to which UNCDF has reviewed (documented) actual performance against outcome targets prior to disbursements?	3	2	2	3	4	3	2	3	3	3
		1.6. Degree to which programme stakeholders perceive implementation arrangements appropriate for achieving programme results?	2	3	2	3	1	2	3	3	3	2
		1.7. Degree to which UNCDF has contributed to new learning for the global MF industry?	1	1	1	1	1	1	1	1	1	1
		PR:										
		1.8. Degree to which private sector engagement objective is reflected in physical location of CTAs?	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

		1.9. Degree to which funding partnerships have enhanced the harmonization of funders' interests?	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Subtotal score B – Effectiveness		**15**	**12**	**14**	**13**	**10**	**11**	**11**	**16**	**14**	**12.9**
Effectiveness	**Average score – B**		**54.17%**	**42.86%**	**50.00%**	**######**	**35.71 %**	**39.29%**	**39.29%**	**57.14 %**	**50.00%**	**46.10%**
EFFICIENCY												
C. How efficient have the programmes been managed?	C1. To which extent has UNCDF management of investments been transparent, flexible and timely?	**PR and ML:**										
		1.1. Degree to which criteria for recipient selection (RFPs) have been clear and public (communicated to relevant stakeholders)?	3	2	3	1	2	3	3	3	3	3
		1.2. Degree to which investment amounts, duration and targets have been negotiated based on recipients' assessments of country context?	3	4	3	2	3	3	3	3	3	3
		1.3. Degree to which UNCDF has provided/ followed good practice due diligence guidelines?	2	2	2	1	1	1	1	2	1	1
		1.4. Degree to which approved programme/ project documents (designs, progress reports, evaluations) have been availed to the public/stakeholders?	2	1	3	1	1	3	2	2	2	2
		1.5. Degree to which requested revisions of targets have been approved within communicated time frames?	N/A	3	2	N/A	2	1	1	3	3	2
		1.6. Degree to which requested reallocations/ extensions have been approved within communicated time frames?	N/A	3	2	N/A	1	1	2	2	2	2
	Subscore C1		10	15	15	5	10	12	12	15	14	13
	C2. To which extent has UNCDF management of investments been efficient?	**PR:**										
		2.1. Degree to which UNCDF design/appraisal process has been timely (duration from PRODOC to approval)?	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
		ML:										
		2.2. Degree to which UNCDF appraisal process has been timely (duration from application to approval)?	2	3	1	2	2	2	3	2	3	2

		PR and ML:										
		2.3. Degree to which UNCDF funding/fund-raising of approved programmes has been timely (duration from approval to start-up/sufficient funding)?	2	3	2	3	3	3	2	3	3	3
		2.4. Degree to which UNCDF has allocated adequate and timely resources to manage the investments (CTAs)?	2	2	1	2	2	1	0	3	1	2
		2.5. Degree to which UNCDF disbursement process has been efficient and timely (duration from payment request to disbursements)?	3	3	3	2	2	3	3	2	3	3
		2.6. Degree to which TA input has been delivered efficiently and timely to FSPs/SSOs (duration from decision/request to deployment)?	3	N/A	3	3	N/A	1	1	3	N/A	2
		2.7. Degree to which cost-levels of grants (subsidies) are market-based (compared to applicable market rates)?	3	2	2	2	2	2	2	1	2	2
		2.8. Degree to which implementation arrangements for global initiatives and country programmes have been integrated?	0	0	3	3	1	2	1	3	3	2
		Subscore C2	15	13	15	17	12	14	12	17	15	15
	C3. To which extent has UNCDF's monitoring systems (PBA, financial/ narrative reporting) been efficient?	**PR and ML:**										
		3.1. Extent to which targets for programme objectives and results (outcomes) were clear and easy to monitor and evaluate (did selected indicators measure intended outcomes)?	3	3	3	3	3	3	2	3	3	3
		3.2. Degree to which UNCDFs CTAs/RTAs have ensured timely and efficient monitoring, oversight and guidance (available from project start, regular visits, feedback)?	2	1	2	1	1	2	1	2	3	2
		3.3. Degree to which UNCDF's PBA system is perceived by UNCDF staff to improve efficiency of programme management (CTA, RTA, HO PMs)?	2	1	2	2	2	2	2	2	2	2
		3.4. Degree to which UNCDF has checked (documented) performance against set	3	2	2	3	3	2	2	3	2	2

		targets prior to disbursements?										
		3.5. Degree to which UNCDF has provided feedback on FSP/SSO/TSP reports?	3	3	2	3	2	2	1	2	2	2
		3.6. Degree to which UNCDF has monitored and ensured timely follow-up on audit reports?	1	1	1	2	2	1	1	1	2	1
		3.7. Degree to which UNCDF has enforced sanctions/rewards in PBA system?	3	2	2	3	4	3	2	2	1	2
		3.8. Degree to which M&E data and reporting has been used by UNCDF to make strategic decisions about service delivery and for purposes of drawing lessons from experience?	1	1	1	4	2	1	1	1	1	1
		3.9. Degree to which programme governance/ supervision bodies/systems have been put in place?	3	2	3	2	2	1	1	2	2	2
		3.10. Degree to which composition of supervisory body/systems was appropriate for achieving results?	3	1	2	2	1	1	1	2	1	2
		3.11. Degree to which UNCDF's central performance monitoring database accurately reflected performance by programmes?	3	2	2	3	2	3	2	2	2	2
		Subscore C3	27	19	22	28	24	21	16	22	21	22.2
		Subtotal score C – Efficiency	**52**	**47**	**52**	**50**	**46**	**47**	**40**	**54**	**50**	**50.3**
Efficiency		**Average score – C**	**59.09%**	**51.09%**	**54.17%**	**######**	**50.00 %**	**48.96%**	**41.67%**	**56.25 %**	**54.35%**	**52.49%**
IMPACT												
D. To what extent has UNCDF inputs contributed to generating intended impact[1])?	D1. To what extent have the program-mes contributed to improved access to financial services for low-income people by sustainable FSPs in underserved markets?	**PR and ML:**										
		1.1. Degree to which internal UNCDF management arrangements have affected likely impact of programmes?	2	3	2	2	1	2	1	3	1	2
		1.2. Degree to which an UNCDF SEMS/CPP considerations have been incorporated into FSP selection procedures and M&E/PBA systems?	2	0	2	2	1	0	0	0	0	1
		Subscore D1	4	3	4	4	2	2	1	3	1	3

		PR and ML:										
	D2. Extent to which UNCDF funding leverages increased resources for FSPs beyond initial investments?	2.1. Degree to which UNCDF input was instrumental in securing additional funding from other sources (catalytic effect)?	1	1	2	1	1	2	1	3	1	1
		2.2. Degree to which [net change in portfolio value and deposits mobilised/UNCDF funding] has decreased over period of funding?	2	1	2	2	2	1	1	2	1	2
		Subscore D2	3	2	4	3	3	3	2	5	2	3
		PR and ML:										
	D3. Extent to which programmes have impacted women's economic or social empowerment?	3.1. Degree to which % of UNCDF female staff, programme managers, and IC representatives has increased since 2008?	3	2	3	3	2	2	2	2	3	2
		3.2. Degree to which UNCDF has incorporated gender mainstreaming into FSP selection procedures and M&E/PBA systems?	1	1	2	2	1	2	1	1	1	1
		3.3. Degree to which UNCDF has contributed to new gender knowledge in microfinance?	2	0	1	1	1	1	0	0	1	1
		Subscore D3	6	3	6	6	4	5	3	3	5	5
		PR and ML:										
	D4. Extent to which programmes have had positive impact on environmental challenges in country?	4.1. Degree to which UNCDF (HO, RO, PMUs) have specifically promoted good environmental practices since 2008?	1	0	0	1	0	0	0	1	0	0
		4.2. Degree to which UNCDF has incorporated environmental considerations into FSP selection procedures and M&E/PBA systems?	0	0	2	1	0	0	0	0	0	0
		4.3. Degree to which UNCDF has contributed to new environmental protection knowledge in microfinance?	1	0	0	1	0	0	0	0	0	0
		Subscore D4	2	0	2	3	0	0	0	1	0	1
		Subtotal score D – Impact	**15**	**8**	**16**	**16**	**9**	**10**	**6**	**12**	**8**	**11.1**
Impact		**Average score – D**	**37.50%**	**20.0%**	**40.00%**	**######**	**22.50 %**	**25.00%**	**15.00%**	**30.00 %**	**20.00%**	**27.78%**
SUSTAINABILITY												

E. Extent to which UNCDF input contributes to sustainable provision of financial services?	E1. Extent to which there has been an overall positive trend towards sustainability of programme results?	**PR and ML:**										
		1.1. Degree to which programme management arrangements have supported UNCDF sustainability targets?	2	1	2	2	1	1	1	2	2	2
		1.2. Degree to which programmes are actively monitored to corroborate performance trends?	2	2	2	3	2	2	1	3	2	2
		1.3. Degree to which the trends towards sustainability are positive across the UNCDF/ML portfolio of FSPs?	3	2	3	2	1	1	1	3	3	2
		Subscore E1	7	5	7	7	4	4	3	8	7	6
	E2. Does UNCDF have clear and workable exit strategies?	**PR and ML:**										
		2.1. Degree to which an overall policy for phase-out and exit from programmes has been developed (e.g. for growing private sector financing, including domestic savings)?	2	1	2	1	0	1	1	1	2	1
		2.2. Degree to which exit strategies have been developed and communicated to affected counterparts?	2	2	1	3	1	1	1	1	1	1
		2.3. Degree to which phasing out preparations by programmes has been monitored/supported by UNCDF (HR/institutional capacity)?	2	1	1	0	0	1	1	2	1	1
		Subscore E2	6	4	4	4	1	3	3	4	4	4
		Subtotal score E – Sustainability	**13**	**9**	**11**	**11**	**5**	**7**	**6**	**12**	**11**	**9.4**
Sustainability		**Average score – E**	**54.17%**	**37.50%**	**45.83%**	**######**	**20.83 %**	**29.17%**	**25.00%**	**50.00 %**	**45.83%**	**39.35%**

Aggregate Score	Aggregate weighted score - All ML FSPs by country
Bhutan	2.6
DRC	2.2
Laos	1.9
Liberia	1.8
Ethiopia	3.2
Rwanda	2.1
South Sudan	1.6
Sierra Leone	2.0
Timor Leste	3.7
AVERAGE	2.3

Productivity	Aggregate score - All ML FSPs by country
Bhutan	3.0
DRC	3.0
Laos	1.9
Liberia	2.0
Ethiopia	3.0
Rwanda	3.0
South Sudan	2.3
Sierra Leone	2.0
Timor Leste	4.0
AVERAGE	2.7

Outreach & Size	**Aggregate score - All ML FSPs by country**
Bhutan	3.0
DRC	2.0
Laos	1.8
Liberia	2.0
Ethiopia	3.0
Rwanda	1.0
South Sudan	1.5
Sierra Leone	2.0
Timor Leste	4.0
AVERAGE	2.3

Leverage	Aggregate score - All ML FSPs by country
Bhutan	4.0
DRC	0.0
Laos	1.4
Liberia	1.0
Ethiopia	1.0
Rwanda	1.0
South Sudan	1.0
Sierra Leone	1.0
Timor Leste	0.0
AVERAGE	1.2

Appendix 2: Financial Service Provider Scoring Sheet (Example)

South Sudan-FSP Rating		*Institution* →	BRAC				Finance SS				SUMI				Equity Bank				Aggreg. Country Score
		Type of funding (COUNTRY-LEVEL SECTOR PROGRAMME, MicroLead, or other global thematic initiative) →	ML				ML				ML				ML				
	Performance indicators ↓	*Reviewers scores* →	Evaluator 1	Evaluator 2	Final Score	Weight	Evaluator 1	Evaluator 2	Final Score	Weight	Evaluator 1	Evaluator 2	Final Score	Weight	Evaluator 1	Evaluator 2	Final Score	Weight	
Outreach, and size	12. Number of active borrowers		0	1	1	25%	2	2	2	25%	1	1	1	25%	2	2	2	25%	1.5
	13. USD value of loans outstanding																		
	14. Number of active depositors																		
	15. USD value of total savings																		
	16. Total number of branches																		
	17. Total number of rural branches																		
	18. Total assets (USD)																		
Portfolio Quality	19. Portfolio at Risk>30		1	0	1	25%	2	2	2	25%	1	0	1	25%	4	3	3	25%	1.8
	20. Write off ratio																		
	21. Risk coverage ratio (Loan loss reserve/PAR30)																		
Profitability & Efficiency	22. Operational Self-Sufficiency (OSS)		1	1	1	30%	1	1	1	30%	0	0	0	30%	3	3	3	30%	1.3
	23. Operating expense ratio (expense/**ave. total assets**)																		
	24. Deposits to loans (%)																		
	25. Gross loan portfolio to total assets																		

	26. Cost per active client in USD																	
Productivity	27. Total number of staff	1	2	2	0%	2	2	2	0%	1	2	2	0%	3	3	3	0%	2.3
	28. Total staff in branches																	
	29. Total number of loan officers																	
	30.Depositors/total staff																	
	31. Loan officer case load (borrowers/number LOs)																	
	32. Personnel allocation ratio																	
Leverage	33. End of project value of loans outstanding	0	1	1	0%	1	1	1	0%	0	1	1	0%	3	3	3	0%	1.5
	34. End of project voluntary savings																	
Social Performance	35. Average loan balance outstanding	1	1	1	20%	2	3	3	20%	2	1	2	20%	1	1	1	20%	1.8
	36. Average savings balance outstanding																	
	37. % women voluntary borrowers																	
	38. % women voluntary depositors																	
	39. #. women in senior management																	
	40. # women on Board of Directors																	
	41. Client drop-out rate (Number of clients who dropped out over period/ Ave. number of clients for the period)[1]																	
	TOTAL financial service provider WEIGHTED SCORE				**1.0**				**1.9**				**0.9**				**2.4**	
	AGGREGATE COUNTRY WEIGHTED SCORE of financial service providers: 1.5																	

Appendix 3: Mission Plan

Bhutan

AGENDA FOR MID TERM REVIEW OF MicroLead Evaluation

Date	Institution	Time
19.01.2012	UNDP	AM
	BASIX	
	BDBL CEO	PM
	RMA	
20.01.2012	BDBL task force meet SNV	
21.01.2012	Branch 1 visit	
22.01.2012	Sunday	
23.01.2012	DAMC	AM
	BCCI	
	GNHC	
24.01.2012	Holiday	
25.01.2012	Branch 2 visit	
26.01.2012	YDF	AM
	Baweo/NWAB	
	RICBL	PM
	Bhutan Post	
	Debriefing UNDP/BASIX	

République Démocratique de Congo

Date	Structure	NOMS	Fonction	Contact
23-01-12		**08h00 - 10h00**		
	UGP/PASPMIF II	Monah Andriambalo, Monah.andriambalo@uncdf.org	Spécialiste Finance Inclusive	Confirmé
		Elodie Nsamba Elodie.nsamba@undp.org	Expert Genre/Innovation	Confirmé
		Albert Bongo Albert.bongo@undp.org	Expert Suivi Evaluation	Confirmé
		10h30- 12h30		
	FPM	Jean Claude Thetika J.Thetika@fs.de	Directeur général	Confirmé
		Amin 'a.elayoubi@int.fs.de '	Directeur général Adjoint	
		14h-15h		
	PNUD	Gilbert Aho, Gilbert.aho@undp.org,	team Leader, ULCP	Confirmé
		Stéphane Amani stephane.amani@undp.org	Chargé de Programme	
		15h30- 16h30		
	KFW	Oliver Juenger Oliver.Juenger@kfw.de Cathy Mbungani Cathy.mbungani@kfw.de	Chef de bureau Kinshasa Assistante secteur financier	TBC
		16h45-17h45		
	IFC	Jean Philippe Mukuaki Mmukuaki@ifc.org	Programme manager SME development	Confirmé
24-01-12	BCC	**9h00-10h30**		

		Marie-José Ndaya i.ndaya@bcc.cd	DSIF, Directeur adjoint	Confirmé
		11h00-11h45		
	Ministère des Finances	Patrice Kitebi kitebikibolmvul@minfinrdc.com	Conseiller, Président CP du PASMIF II	Confirmé
		14h30-18h		
	IMF FINCA	Eric Fuani, efuani@finca.cd Jean kabongo, jkabongo@finca.cd Ed.Greenwood@finca.org FGD _ clients	Treasury manager YS project focal point	Confirmé
25-01-12		**8h00-9h30**		
	Association Prof.Coopec	Deo Katulanya dkatulanya@yahoo.fr; pca@mecreco.cd	President provisoire	Confirmé
		10h00-11h30		
	COOPEC MECRE BENI	Patient Kambare passykam1@yahoo.fr	Directeur	Confirmé
		14h00-15h30		
	CAMEC INKISI CAMEC MBANZA NGUNGU	Damase Futi camecinkisi@yahoo.fr	Directeur	Confirmé
		Monoke	PCA	
		Apollinaire Maludi camilemasengo@yahoo.fr	Directeur	Confirmé
		Daniel Bawha	PCA	
		16h00-17h00		
	MUFESAKIN	Mme Mamie	DG	
26-01-12		**9h00-10h30**		

	CEFORMAD (PLST).)	Benjamin Ndonga Benjamin_benj@yahoo.fr	Directeur	Confirmé
		Anderson	Chargé de formation	
		11h00-12h00		
	GEMIFIC(PLST	Hilaire Kalondji Ditungunaka2002@yahoo.fr	Directeur général	Confirmé
		Jean Pièrre Ilunga Jpilunga_flori@yahoo.fr	Directeur IMF & finances	
		14h00-17h00		
	Opportunity International	Gilbert Lagaillarde glagaillarde@opportunity.net	Directeur	Confirmé
27-01-12		**8h30 – 10h30**		Confirmé
	Branche OI	FDG_ clients		
		11h00-12h30		
	Association Prof.	Marthe Ngalula Wafuana imflifevest2006@yahoo.fr	Directrice	Confirmé
		15h30 – 17h00		
	Salle de Réunion UNDP	Debriefing	UGP PASMIF	Confirmé

MicroLead Ethiopia Field Mission

Date	Time	Contact	Organization	Activity	Location	
12.12	09.30	Yoseph	ILO/CDF	agenda	ECA	
12.12	10.00	Ruth and Eva	UNCDF		ECA	
13.12	11.00	Wolday (DR)	AEMFI	Association of MFI	Bole Road, near Damu Hotel	0911 214005
13.12	14.00	Shimeles (Mr)	Ethio-Life	Insurer doing some micro-insurance, chair of the Micro-insurance working group	Behind ECA, 4th fl. Abay Bank	0912 799762
14.12	09.00	Tezera (Mr)+	PEACE MFI	YouthStart partner	Off Asmara Rd, will pick you from your hotel	0911 219506 0116521541

14.12	15.00	Ram	BASIX	MicroLead Capacity builder	Bole Road, AEMFI building ground floor	0923801613
15.12	09.00	Teshome (Mr)	Buusa Gonofaa	MicroLead Partner	DZ Road, will pick you from hotel	0911 223679 0114 152521
15.12	Morn/aft	Focus group	Buusa Gonofaa			
16.12	11.30	Judith	ILO	Microinsurance	ECA	
16.12	33.30	Temesgen (Mr)	Insurance Supervisor	Insurance regulator	National Bank	0115 175102
16.12	14.00	Frezer (Mr.)	MFI Supervisor	MFI regulator	National Bank	0115 175169
	16.00	Teshome	Oromia MFI	MFI providing Microinsurance	Bole Road, Behind Damu Hotel, near AEMFI	
19.12	09.30	Amsalu (Mr)	Wasasa	Microlead Partner	Suburb, will pick you from your hotel	0911 673822
19.12	Morn/aft	Focus Group	Wasasa			
20.12	Morning	Yoseph	ILO/CDF	Microinsurance joint program	ECA	
	Morning	Abebe	IFAD	Rufip 2	ILRI compound	

Lao PDR

January 9-17, 2012

Date	MFI/SCU to Visit (city)	Activities/Purpose	Remarks
January 8, 2012 (Sunday)		Marc arrives VTE (Awaiting Juan's flight details)	15.55 QV322 from Hanoi

Day 1 **January 9, 2012** **(Monday)**	Vientiane Capital	08.30Briefing by chief technical advisor 10.00 Meeting with BOL/FISD (Dr Akhom, Mde Keasorn) 11.30 UNDP Kyoko Yokosuka (tent) 13.30 The Microfinance Centre 16.00 CARD	AM PM
Day 2 **January 10** **(Tuesday)**	XMI (Oudomxay)	• Travel to XMI • Interview with CEO and top management Interview with middle management at head office • Interview with back office staff at head office • Confirmation of client sampling, programme, logistics Overnight in ODY	10:30 Dep VTE 11:20 Arr ODY
Day 3 **January 11** **(Wednesday)**	XMI (Oudomxay)	• Branch visit, interview with branch management • Interview with front line and back office staff • Client Focus Group Discussion (15-20 participants) • Follow up with XMI managers if necessary Travel to Luang Prabang (5 hrs.) Overnight in Luang Prabang	Dep ODY approx 13.00
Day 4 **January 12** **(Thursday)**	SCU Luang Prabang ACLEDA Bank Lao	• Interview with CEO and senior management • Interview with back office staff • Return to Vientiane (air) • ACLEDA Bank Laos • Interview with CEO and senior mgmt • Interview with middle management at head office	13:30 Dep LPQ 14:15 Arr VTE 15.00

	(Vientiane)	• Interview with back office staff at head office	
Day 5 **January 13** **(Friday)**	EMI (Vientiane)	• Interview with CEO and senior management • Interview with middle management at head office • Interview with back office staff at head office • Confirmation of client sampling, programme, logistics • Branch visit, interview with branch management • Interview with front line and back office staff • Client Focus Group Discussion (15-20 participants) • Follow up with EMI managers if necessary • Microfinance Working Group • Ministry of Planning and Investment (MPI)	08.30 15.00 16.00
January 14-15 **(Sat. & Sun)**		Sat: Other meetings (CARD follow up, visit to Banking Institute) Sunday: Travel to Savannakhet (possible client visits in ZVK)	07.50 Dep VTE 10.05 Arr ZVK (1 stop)
Day 6 **January 16** **(Monday)**	SCU Humchai Pattana	• Interview with CEO and top management • Interview with middle management at head office • Interview with back office staff at head office • Return to Vientiane (fly)	08.30

			15.10 Dep ZVK 17.25 Arr VTE (1 stop)
Day 7 **January 17 (Tuesday)**	Vientiane Capital Meetings	• Meeting with BOL FISD (open schedule) • Meeting with UNDP RC • Meeting with MFI discontinued from MicroLead programme • Meeting with representatives of other sector stakeholders (e.g., World Bank, International Finance Corporation, GTZ. Visit with ADB) • Optional debrief UNDP and UNCDF chief technical advisor (and others as invited by chief technical advisor)	AM

Liberia

Programme and schedule for
UNCDF portfolio review and MicroLead midterm evaluation

Schedule	Programme	Timeframe	Location	Contact person and details
December 11, 2011	Arrival	16:30	Rob. International	Ballah (Driver, Central Bank) - 0886415977
	Drop off at hotel	18:30	Mamba Point	Ballah (Driver, Central Bank) - 0886415977
December 12, 2011	Pick up from the Hotel	9:15	Mamba Point	Ballah (Driver, Central Bank) - 0886415977
	Meeting with LIFS II PMU	9:30	Central Bank of Liberia	Abdoul Anziz Said Attoumane (chief technical advisor LIFS (ii) – 0880420361
	Meeting with Central Bank	10:30	Central Bank of Liberia	Mr. Kolli S. Tamba

				(Head Microfinance Unit, Central Bank)
	Meeting with UNDP	To be determined	UNDP	Mr. Dominic Sam (Country Director)
	Meeting with GEWEE	15:30	Ministry of Gender	Ms Emily Stanger (programme manager) – 0886751394
December 13, 2011	Visit to Liberty Finance	9:30	HQ Branches Clients	Ms Ruth Kulah (General Manager) – 077021137
December 14, 2011	Visit to BRAC	9:30	HQ Branches Clients	Mr. R.M. Forhad (General Manager) – 0886401584
December 15, 2011	Visit to LEAP	9:30	HQ Branches Clients	Ms Regina Sulla (General Manager) – 0880456222
December 16, 2011	Debriefing with LIFS PMU	13:30	Central Bank	Abdoul Anziz Said Attoumane (chief technical advisor LIFS (ii) – 0880420361
	Meeting with Ministry of Finance (cancelled)	14:30 (to be confirmed)	Ministry of Finance	Mr. Boima Kiadii
	Meeting with Ministry of Planning	16:00	Ministry of Planning	Mr. J. Charles Nyema
December 17, 2011	Hotel pick up and drop off	14:00	Mamba Point	Ballah (Driver, Central Bank) - 0886415977

Kigali, Rwanda

UNCDF MICROLEAD MID-TERM EVALUATION AND PORTIFOLIO REVIEW
UPDATED SCHEDULE AS OF 2ND DECEMBER 2011

Monday, 12/5	Organization	Contact Person	Cell Phone	Location	Status
9h00	UNCDF	Amani M'Bale, Chief Technical Advisor	078-222-0009	MINECOFIN (across the street from the City of Kigali Offices, 4th Floor, outside the elevators take a left, 4th door on your right	Confirmed
11h30 am	Access to Finance Rwanda (AFR)	Ian Robinson, Technical Director	078-250-7751	Prester House	Confirmed
12h30-13h30	Lunch @ Shokola Lite or MAGDA (downstairs from AFR)				
15h00	UNDP	Auke Lootsma	C/O Clarisse +250 0788534590	UNDP Offices, 12 Army Avenue, Kiyovu (around the corner from MINECOFIN)	Confirmed
17h00-18h00	MINECOFIN	Vincent Munyeshaka, Executive Secretary	+250 788509518	MINECOFIN, ground floor	Confirmed
Tuesday, 12/6	**Organization**	**Contact Person**	**Cell Phone**	**Location**	**Status**
9h00am	YouthStart	Jules Ndahayo Managing Director	+250788478062	Kigali- Nyamirambo near stadium	Confirmed
10h00	YouthStart	Branch Mgmt Discussion	+250788478062	Kigali- Nyamirambo near stadium	Confirmed
11h00	YouthStart	Focus Group Discussion	+250788478062	Kigali- Nyamirambo near stadium	Confirmed
13h00-14h00	Lunch @ YYY (Packed Lunch??)				
14:00	PAJER	Patrick Karangwa, Executive Director	+25078302133	Kigali- Kacyiru – Kimicanga road	Confirmed
15h00	PAJER	Field Mgmt Discussion	+25078302133	Kigali- Kacyiru- Kimicanga road	Confirmed
16h00	PAJER	Focus Group Discussion	+25078302133	Kigali- Kacyiru- Kimicanga road	Confirmed
Wed, 12/7	**Organization**	**Contact Person**	**Cell Phone**	**Location**	**Status**
9h00	Equity	Middle Mgmt	078-838-6677	Equity head office	Confirmed

		Discussion			
10h00	Equity	Branch Mgmt Discussion	078-838-6677	Equity main branch	Confirmed
11h00	Equity	Samuel Kirubi, CEO	078-838-6677	Equity head office	Confirmed
12h30-13h30	Lunch @ Chez Robert				
14h00-16h00	Equity	Focus Group Discussion	078-838-6677	Equity head office	Confirmed
Thurs, 12/8	Organization	Contact Person	Cell Phone	Location	Status
9h00	UOB- Executive team Discussion	Jeffrey Lee, CEO		Kigali- HQ	Confirmed
10h00	UOB- Middle Mgmt Discussion	Daniel Ryumugabe	+250788309723	Kigali- HQ	Confirmed
11h00	UOB- Branch Mgmt Discussion	Daniel Ryumugabe	+250788309723	Kigali- HQ	Confirmed
12h30-13h30	Lunch				
14h00-16h00	UOB- Focus Group Discussion	Daniel Ryumugabe	+250788309723	Kigali- HQ	Confirmed
Friday, 12/9	Organization	Contact Person	Cell Phone	Location	Status
9h00-10h00	Central Bank	Kevin Kavugizo	+250788382515	Kigali- Kiyovu	Confirmed
10h-11h00	BRD	Ms. Diane	+250788304812	BRD Head Office- Town	Confirmed
11h:30-12h:30	AMIR	Rita Ngarambe	+250782889582	Kigali- Kacyiru	Confirmed
13h00	Lunch @ Chez Robert (Kiyovu)				
14h00	UNCDF	Amani M'Bale, Chief Technical Advisor (Debriefing)			Confirmed

Juba South Sudan 28th – 02nd November 2011
Programme

Date	Activity	Time	Focal point
Nov, 28/11	▪ **Briefing UNDP South Sudan**	**08:30 – 09:30am**	Daniel Kir/Zinabu Samaro +211 926 828 896 +211 955 269 146 daniel.kir@undp.org or Zinabu.samaro@undp.org
	▪ **Bank of South Sudan**	**10:00 - 11:00am**	Addis Abba Othow Othow2007@yahoo.com Othow2007@gmail.com +211 955 551 980
	▪ **Meet with SSMDF**	**02:00pm- 03:00pm**	Charles Data +211 955 023 808 Charles.data@gmail.com
	▪ **Ministry of Commerce & Industry**	**03:00 – 04:00pm**	Ms. Mary Akech Milla Director of Private Sector Development +211 977 164 717 Akechmilla@yahoo.com
Nov. 29/11	▪ **Visit Finance Sudan** - Interview CEO, top management - Interview with middle management at head office - Confirmation of client sampling and logistics for FGD ▪ **Visit one of Finance Sudan branches** - interview with branch management - Interview with front line and back office staff - Client Focus Group Discussion (15-20 participants)	**09:30am – 01:00pm** **02:00pm – 05:00pm**	Oketi Robert Chief Executive Officer oketi@financesudan.com +211 955 236 778

Nov. 30/11	▪ **Visit to BRAC Sudan:** - Interview with CEO and top management - Interview with middle management at head office - Interview with back office staff at head office ▪ **Visit to SUMI:** - Interview with MD and top management - Interview with middle management at head office - Interview with back office staff at head office	**09:00am – 01:00pm** **02:00pm – 05:00pm**	Innocent Eustape Financial Analyst innocentmura@gmail.com +211 922 922 348 Vincent Oywak +211 955 225 266 vinzoywak@hotmail.com
Dec. 1/11	▪ **Visit to Equity Bank** ▪ Morning - Interview with CEO and top management - Interview with middle management at head office - Interview with back office staff at head office - Confirmation of client sampling, programme, logistics ▪ Afternoon: - Visit to one branch, interview with branch management - Interview with front line and back office staff - Client Focus Group Discussion (15-20 participants)	**09:00am –01:00pm** **02:00pm – 05:00pm**	Paul Gitahi Executive Director Paul.gitahi@equitybank.com Eric Nderitu Managing Director +211 977 365 988 +211 955 760 416 Eric.Nderitu@equitybank.co.ke
	▪ South Sudan Business Forum	08:30-09:00 am	Mr. Paul
	▪ Microfinance Forum & Microfinance Association South Sudan (MASS)	12:00 – 13:00pm	Lokule Edward MASS Coordinator Loponi2002@gmail.com
	• Ministry of Finance and Economic Planning	02:00 – 03:00pm	Gatwech Gach Gatwech Acting Director Investment

			Getawech.mofep@gmail.com +211 955 279 140
	• USAID	03:00 – 04:00 pm	Lemi Lokosang +211 912 131 144 lolemi@usaid.gov
Dec.2/11	• Debriefing with UNDP CO	04:30 – 05:30pm	Zinabu Samaro Zinabu.samaro@undp.org

Appendix 4: List of People Met/Interviewed

List of People Met – Bhutan

Internal Stakeholders

Co-funders and External Stakeholders

- Dema Eden, Deputy Governor, Royal Monetary Authority of Bhutan, eden@rma.org.bt
- Van der Vaeren, Claire, Resident Coordinator, UNSOAD Bhutan, claire.van.der.vaeren@one.un.org
- Hadzialic, Hideko, Deputy Resident Representative, UNDP, hideko.hadzialic@undp.org
- Namgyal Lhendup, CEO, Royal Insurance Corporation of Bhutan Limited nlhendup@druknet.bt
- Namgyel, Wangchuk, GM, General Insurance, Royal Insurance Corp. Bhutan wangchuck_namgyel@ricb.com.bt
- Tshering, Pema, Executive Director, Royal Insurance Corporation of Bhutan Ltd. pema_tshering@ricb.com.bt
- Jurmey, Tshewang, Head, Royal Insurance Corporation of Bhutan Ltd. tshewang_jurmey@ricb.com.bt
- Lama, Binai, Portfolio Coordinator, SNV Netherlands Development Organisation, blama@snvworld.org
- Tshering, Phub, Secretary General, Bhutan Chamber of Commerce & Industry, phubt@druknet.bt

Investees

BASIX

- Reddy, P. Narayana, Project Manager, MicroLead LTTA, narayanareddy@basixindia.com

BDBL

- Dhendup, Ugyen, Deputy Managing Director, bhutantodayads@yahoo.com
- Choden, Karma, General Manager, bhutantodayads@yahoo.com

- Wangdi, Pema, Deputy General Manager, Banking and Treasury, bhutantodayads@yahoo.com
- Shankar, Bhawani, Deputy General Manager, Finance, bhutantodayads@yahoo.com
- Tshering, Nidup, Deputy General Manager, Internal Audit bhutantodayads@yahoo.com,
- Wangdi, Yeshey, General Manager Administration and Human Resources, bhutantodayads@yahoo.com
- Dorji, Sangy, Head, Risk Management, bhutantodayads@yahoo.com
- Dukpa, Tshering, Deputy General Manager, Human Resources, bhutantodayads@yahoo.com
- Palden, Kencho, Head, Legal and Recovery, bhutantodayads@yahoo.com
- Rigyel, Sonam, Company Secretary, bhutantodayads@yahoo.com
- Wangchuk, Jigme, Head, Management Information Systems, bhutantodayads@yahoo.com
- Dorji, Tshewang, Manager, Information Technologies, bhutantodayads@yahoo.com
- Gystse, Nawang, Advisor, bhutantodayads@yahoo.com
- Dorji, Karma Thinley, Project Manager, Bhutan Development Finance Corporation, karmatdorji@druknet.bt
- Wangchen, Phurba, Assistant Project Manager, bhutantodayads@yahoo.com
- Jigme, Karma, Branch Manager, Main Branch, bhutantodayads@yahoo.com
- Branch staff and clients, Punakah branch
- Branch Staff and clients, Paro Branch

List of People Met – DRC

Internal Stakeholders

- Andriambalo, Monah, Inclusive Finance Specialist, monah.andriambalo@uncdf.org
- Nsamba, Elodie, Innovation and Gender expert, elodie.nsamba@undp.org
- Bongo, Albert, Monitoring and Evaluation expert, albert.bongo@undp.org

Co-funders and External Stakeholders

- Aho, Gilbert, team Leader Poverty Reduction Unit, UND, gilbert.aho@undp.org

- Amani ĻM, Stéphane, Microfinance advisor, UNDP, stephane.amani@undp.org
- Ndaya Ilunga, Marie-José, Asst. Director Supervision, BC, i.nadaya@bcc.cd
- Kitebi, Patrice, Programme Monitoring advisor, Ministry of Finance, kitebikimbolmvul@minfinrdc.com
- Mbungu, Patrick, Officer, Ministry of Finance, umbungu@yahoo.fr
- Mukuaki, Jean-Philippe, SME Development Program Manager, IF, mmukuaki@ifc.org

Investees (financial service providers, technical service providers, SSOs)

- Thetika Banzodila, Jean Claude, CEO, Microfinance Promotion Fund (FPM), j.c.thetika-banzodila@fs.de
- El Ayoubi, Amin, Manager FPM, a.elayoubi@int.fs.de
- Katulanya Isu, Deo, COOCEC MECRECO/Interim Chair, COOPEC Assoc, dkatulanya@yahoo.fr,
- Ngalula Wafuana, Marthe, BoD member LifeVest, initiator MFI Assoc, ngalulamarthe@hotmail.com
- Tshibola K., Rebecca Mbuyi, Director Lifevest, Imflifevest2006@yahoo.fr
- Ndonga Kimpala-I-Mpala, Benjamin, Director CEFORMAD, Benjamin.beni@yahoo.fr
- Ilunga, Jean Pierre, Director for MFIs and Finance, GEMIFIC, jpilunga.flori@yahoo.fr
- Dieudonne Ngoyi GEMIFIm, dieudongoyi@yahoo.fr

CAMEC INKISI

- Futi, Damase, CEO, camecinkisi@yahoo.fr

CAMEC MBANZA NGUNGU

- Maludi, Apollinaire, CEO, camilemasengo@yahoo.fr
- Mr. Monoke, Bahua, Daniel, dbmamb@yahoo.fr

COOPEC MECRE BENI

- Kambare, Patient, CEO, passykam1@yahoo.fr

FINCA (SARL) RDC

- Eric Fuani, COO, efuani@finca.cd
- Jean Kabongo, Youth product coordinator, jkabongo@finca.cd
- John Kizito, Chief Finance Officer, jkizito@finca.cd

MUFESAKIN

- Ms. Mireille, CEO, mufesakinsieges@yahoo.fr
- Managers, staff and clients of MUFESAKIN

Opportunity International DRC

- Lagaillarde, Gilbert, CEO, glagaillarde@opportunity.net
- Guy Balondo, Masina Branch Manager, gbalondo@opportunitycongo.com
- Patrick Kamunga, Credit Supervisor, Masina branch, p.kamunga@opportunitycongo.com
- Henriette Wembomyama Ndjoka, Credit Supervisor, Masina branch h.ndjoka@opportunitycongo.com

List of People Met – Ethiopia

Internal Stakeholders

- Aseffa, Yoseph, Chief Technical Advisor Microinsurance, ILO, aseffa@ilo.org
- Hernàndez, Eva Garzón, Program Officer, UNCDF, info@uncdf.org
- Rennie, Ruth, Technical Advisor, UNCDF, info@uncdf.org

Co-funders and External Stakeholders

- Muisi, Christine, Deputy Country Director (P), UNDP, publications.queries@undp.org
- Van Doorn, Judith, Expert Microfinance, ILO, inform@ilo.org
- Zerihun, Abebe, Country Officer for Ethiopia, IFAD, a.zerihun@ifad.org
- Frezer Ayalew, A/Director, MF Supervision Directorate, nbe.edpc@ethionet.et

- National Bank of Ethiopia
- Frezer, Mr., MFI Supervisor, National Bank of Ethiopia, nbe.edpc@ethionet.et
- Temesgen, Mr., Insurance Supervisor, National Bank of Ethiopia, nbe.edpc@ethionet.et
- Giorgis, Shimelese G., General Manager, Ethio-Life Insurance S.C.
- Teshome Kebede, General Manager, Oromia Credit and Saving, mathias_tesh@yahoo.com
- Share Company

Investees (financial service providers, SSOs, MNOs)

BASIX

- Narayana, S L, Director, Basix Academy for Livelihoods and MicroBanking Practice narayanareddy@basixindia.com
- Rao, L.Ram Mohan, BASIX team Leader, MicroLead Programme – Ethiopia

Buusa Gonofaa Microfinance

- Teshome, Mr., General Manager
- Hirpa, Furgassa, Operations Manager
- Mamo, Solomon, Finance and Administration Manager
- Mekonnin, Getachew, Head, Marketing and Social Performance Management Section
- Admasu, Mesfin, Branch Manager, Holeta Branch

Wasasa Microfinance

- Amsalu, Mr., Managing Director
- Awoke, Teklemarian, Planning and Marketing Head
- Dugasse, Jebessa, Operations Coordinator
- Dettar, Mecaku, Branch Manager Dukem Branch

Association of Ethiopian Microfinance Institutions (AEMFI)

- Amha, ay, Executive Director
- Gebremichael, Yared, Financial Cooperatives Officer
- Girma, Bethlehem, Program Officer

Poverty Eradication and Community Empowerment (PEACE) MFI sco

- Kebede, Tezera, General Manage, info@peacemfi.org

List of People Met – Lao PDR

Internal Stakeholders

- Anderson, Jim, Chief Technical Advisor Lao PDR, UNCDF, james.anderson@uncdf.org
- Oudomsine, Thilaphong, Programme Officer, UNCDF, thilaphong.oudomsine@uncdf.org

Co-funders and External Stakeholders

- Keasorn, Manivong, Deputy Director, Financial Program Manager, Bank of Lao PDR keas.m@hotmail.com
- Praseuth, Akhom , A/Dir. General, Financial Prg. Management, Bank of Lao PDR akhom_praseuth@hotmail.com
- Lengsavad , Phanchinda, Assistant Resident Representative, UNDP phanchinda.lengsavad@undp.org
- Yokosuka, Kyoko, Deputy Resident Representative, UNDP, kyoko.yokosuka@undp.org
- Pham, Minh H., Resident Coordinator, UNDP, minh.h.pham@undp.org
- Prochaska, Klaus Program Director, Access to Finance for the Poor Lao PRD, GIZ, klausprochaska@giz.de
- Hogenhout,Timom, Independent Microfinance Consultant
- Sisoukda , Bandith, Co-Chair, Micro Finance Working Group (MFWG), sisoukda.bandit@gmail.com
- Viengnakhone, Lovanxay, Office Manager, MFWG, vlovanxay@yahoo.com

Investees

CARD

- Baha, Gilnora A., Training Officer/Manager, International Group
- Ballares, Mildred, Regional Finance Officer, Finance Expert, International Group
- Marilyn M. Manila; Director for International Group, marilyn.manila@cardbankph.com
- Medina, Lourdes, Research Specialist, International Group

CARD-supported financial service providers

- Khammanyvong, Boudsady, MD, *Huamchaiphathana Saving and Credit Union* Boudsady_Scusavan@hotmail.com
- Senior Management and Board
- Khanthaly, Senvilayvong, General Manager, *Xainiyom Microfinance Institution (XMI)*
- Vilaphang, Senuilayvong, Finance Manager
- Senior Managers, XMI
- Puewtauiphong, Bounvieng, Area Manager
- Thongkhao, Mr. President, *Luang Prabang Savings and Credit Union,* info@creditino.org
- Nanthavong, Litta, General Manager, info@creditino.org
- Board and Senior Management
- Sisenglath, Somphone, Director/ Microfinance Specialist, *MicroFinance Center*,
- General Manager, *Ekphatthana Microfinance Institution*, somphone.s@mfclao.com
- Senior Managers, Ekphatthana Microfinance Institution
- Clients of Ekphatthana Microfinance Institution

Acleda Bank

- Kon, Rotha, Finance Department Manager & CFO, Acleda Bank Lao`, rotha@acledabank.com.la
- Phon, Narin, CEO, Acleda Bank Lao, narin@acledabank.com.la

List of People Met – Liberia

Internal Stakeholders

- Attoumane, Abdoul Anziz Said, Chief Technical Advisor, abdoul-anziz.said-attoumane@uncdf.org

Co-funders and External Stakeholders

- Tamba, Kolli S., Head Microfinance Unit, Central Bank, kstampa@cbl.org.lr
- Officers and staff of Microfinance Unit, Central Bank
- Nyema, Charles J., Manager, Ministry of Planning, cnyema@mopea.gov.lr
- Edjang, Fernando Abaga, Dep. Res. Rep/Programme UNDP, Fernando.abaga@undp.org
- Stanger, Emily, Program Manager JP GEWEE (UN Women), Emily.stanger@unwomen.org

Investees (financial service providers, technical service providers, SSOs)

BRAC

- Farhad, R.M., Managing Director, rubyforhad@yahoo.com
- Salam, Mohammed Abdus, Country Representative, ma.salam2006@gmail.com
- Begum, Khadiza Parul, Country Accountant, bkhadiza@yahoo.com
- Sr. staff at head office
- Branch manager, staff and clients of Jacobstown Branch

LEAP

- Sulla, Regina A., Executive Director, reginasulla2000@yahoo.co.uk
- Branch manager, staff and clients of Red Light Branch

Liberty Finance

- Kulah, Ruth C., CEO, ruth@liberty-finance.com

List of People Met – Rwanda

Internal stakeholders

- M'Balé, Amani, Chief Technical Advisor, UNCDF, amani.mbale@uncdf.org
- Sabiti, Arthur K., National Expert - Inclusive Finance, UNCDF, arthur.sabiti@uncdf.org
- Fyfe, Andrew, Evaluation Specialist UNCDF HO, Andrew.fyfe@uncdf.org

Co-funders and external stakeholders

- Lootsma, Auke, Country Director, UNDP, auke.lootsma@undp.org
- Kavugizo, Shyamba Kevin, Director - Microfinance Supervision, NBR, kkavugizo@bnr.rw
- Munyeshyaka, Vincent, Executive Secretary, FSDP, Ministry of Finance, Vincent.munyeshyaka@minecofin.gov.rw
- Karuranga, Emmanuel, Sr.Director Credit Admin. Department, BRD, e.karuranga@brd.com.rw
- Rwabuhunga, Diane, Microfinance Officer, BRD, d.rwabuhunga@brd.com.rw
- Robinson, Ian, Technical Director, Access to Finance DfID) Rwanda, ian@afr.rw
- Nkurikiyinka, Innocent, Lead Consultant, MicroHub Rwanda, microhub@yahoo.com

Investees (financial service providers, technical service providers, SSOs – with or without current funding)

- Ngarambe, Rita, Executive Secretary, AMIR Rwanda, +250782889582

COOPEC Umutanguha SACCOs Union (UCU)

- Ndahayo, Jules Théoneste, Managing Director, ndahajt@yahoo.fr
- Ruhurambuga, Marcel, Manager, marceruhu@yahoo.fr
- Beijuka, John K., Microfinance Specialist (STTA to UCU), johnbeijuka@yahoo.com

Equity Bank Rwanda

- Kirubi, Samuel, Executive Director, Samuel.kirubi@equitybank.co.ke
- Ojode, Nahashon, General Manager Credit, nahashon.ojode@equitybank.co.ke
- Nganga, Stanley W., Business Growth and Development Managerstanley.nganga@equitybank.co.ke
- Kalimunda, Ernest, Relationship Manager, Operations, ernest.kalimunda@equitybank.co.ke, Staff and clients of Equity Bank Rwanda

PAJER Rwanda

- Karangwa, Patrick, Executive Director, pkarangwa2002@yahoo.fr
- *Urwego Opportunity Bank (UOB)*
- Lee, Jeffrey J., Chief Executive Officer, Jeffrey@uob.rw
- Zihiga, Faustin, Exec. Vice President/Chief Relationship Officer, faustin@uob.rw
- Ryumugabe, Daniel, Credit Supervisor, Daniel@uob.rw

Urwego Opportunity Bank (UOB)

- Lee, Jeffrey J., Chief Executive Officer, Jeffrey@uob.rw
- Zihiga, Faustin, Exec. Vice President/Chief Relationship Officer , faustin@uob.rw
- Ryumugabe, Daniel, Credit Supervisor, Daniel@uob.rw
- Clients of UOB

List of Persons Met – South Sudan

Internal stakeholders

- Mashologu, Mandisa, team Leader Poverty Reduction and MDG Unit, UNDP , getahun.desta@undp.org
- Rekiso, Zinabu Samaro, Economic Specialist PRMDG Unit, UND, zinabu.samaro@undp.org
- Barro, Issa, regional technical advisor, UNCDF FIPA Johannesburg, issa.barro@uncdf.org

Co-funders and national, external stakeholders

- Othow, Addis Ababa, Head of Non-Banking Division, Bank of South Sudan, othow2007@yahoo.com
- Milla, Mary Akech, Director of Private Sector Development, Ministry of Commerce and Industry, akechmilla@yahoo.com
- Lohosang, Lemi, USAID, lolemi@usaid.gov
- Yengi, Lokule Edward, Coordinator Microfinance Association South Sudan (MASS) l, oponi2002@gmail.com

Investees (financial service providers, technical service providers, Meso-level organisations)

- Data, Charles Benson, Acting team Leader/Capacity Building Manager, Southern Sudan Micro Finance Development Facility (SSMDF), Charles.data@gmail.com

BRAC Southern Sudan

- Azad, Shaikh Abul Kalam, Manager Micro Finance Field Operations, azadak1962@yahoo.com
- Eustace, Innocent, Financial Analyst, eustance.in@brac.net
- BRAC Senior Management team

Equity Bank South Sudan

- Nderitu, Eric, General Manager, eric.nderitu@equitybank.co.ke
- Wambaki, Evans, Finance Manager, evans.wambaki@equitybank.co.ke
- Kinyua Maina, Joseph, Relationship Manager – Credit, joseph.kinyua@equitybank.co.ke
- Dau, Joseph K., Business Growth and Development Manager, joseph.dau@equitybank.co.ke
- Nagudi, Lindah, Business Growth and Development Manager, lindah.nagudi@equitybank.co.ke
- SME clients of Equity Bank

Finance South Sudan

- Oketi, Robert, Managing Director, oketi@financesudan.com
- Kigozi Ndugga, Richard, Malakal Branch Manager, rkigozi@financesudan.com
- Finance South Sudan Senior Management team

SUMI

- Olweny Uywak, Vincent, Chief Executive Officer , vinzoywak@hotmail.com

Appendix 5: Terms of Reference

LDC Fund to Develop Savings-led Market Leaders for Inclusive Finance (2008-2013)

Mid-Term Evaluation
Terms of Reference

Evaluation Date: September 2011-March 2012

Composition of evaluation team:

Incorporated by reference:
Annex 1: Key Reference Documents
Annex 2: Tentative Travel Schedule
Annex 3: Format for Mid-term Evaluation Report
Annex 4: Assessment Matrix
Annex 5: Format for Evaluation Summary

A. Purpose and Timing of the Mid-Term Evaluation

a) Purpose

The **objectives of the mid-term evaluation** are:

- To assist the co-financing partner (the Bill & Melinda Gates Foundation), future co-financing partners (in particular The MasterCard Foundation), grantee financial service providers and their clients and UNCDF to understand the **efficiency, effectiveness, relevance,** and likely **sustainability of results of the programme to date;** ancillary stakeholders whose views will be solicited include recipient Governments, other financial service providers and their clients and national associations in countries of intervention;

- To explore, on the basis of available evidence, the extent to which the programme is having results against its core development hypotheses:

I. introducing a market leader results in a) increased capacity and improved standards for that country's microfinance sector overall, b) increased outreach for the industry as a whole and c) a better legal and regulatory environment for the inclusive finance sector

II. MicroLead helps leverage a grantee's ability to scale up and introduce innovations (e.g. product diversification, rural expansion, focus on women)

III. The savings-led focus results in stronger, more resilient financial service providers as well as end-clients.

- To assess the level of **satisfaction of programme stakeholders** and beneficiaries with the results;
- To assess whether UNCDF and its partners are **effectively positioned** to achieve results;
- To contribute to UNCDF and partners' **learning** from programme experience;
- To help programme stakeholders assess the value and opportunity for broader **replication** of the programme;
- To help programme stakeholders determine the need for **follow-up** on the intervention, and general direction for the future course;
- To ensure **accountability** for results to the programme's financial backers, stakeholders and beneficiaries;
- Comply with the requirement of the programme document/funding agreement and UNCDF Evaluation Policy.

b) Timing

The mid-term evaluation of MicroLead is being undertaken at this point in time to meet a grant agreement milestone with the Bill & Melinda Gates Foundation. It also supports UNCDF's evaluation policy which requires external evaluations 'in critical areas of relevance' to UNCDF's two practice areas of local development and inclusive finance. The evaluation is timely as the lessons learned will contribute to planning decisions around the expansion phase of the programme which is about to begin.

The evaluation will take place in conjunction with UNCDF's Financial Inclusion Practice Area portfolio review. Two independent consultants will be engaged to conduct both this mid-term evaluation and the FIPA portfolio review over the course of eight months. UNCDF believes that by combining these two exercises, the consultants will be able to place MicroLead, its first global thematic initiative, in context with the 'standard' inclusive finance country programmes for which UNCDF FIPA is known. The timing of the mid-term review of MicroLead will also be useful to inform other FIPA initiatives such as Youth Start (initiated in mid-2010) and future thematic initiatives such as mobile banking and clean energy programmes . Any knowledge generated on how best to efficiently and effectively implement country and global thematic programming so that the impact on poor people's lives is greater than either type of programme alone will be shared among the FIPA team and with LD colleagues, in addition to other IF donors and funders.

Both the portfolio review and the MicroLead mid-term evaluation are scheduled to start in early October 2011 with final reports [the Portfolio Review, MicroLead mid-term evaluation] scheduled to be completed by 1 May 2012.

The ***tentative*** evaluation timing is as follows:

- Off-site preparation work: Oct, 2011
- On-site evaluation: Oct - Nov, 2011
- Off-site completion: Dec 2011-March, 2012
  - Draft for discussion of MicroLead evaluation January 30
  - Global debriefing on MicroLead evaluation February 20
  - Final MicroLead Evaluation March 30

Countries chosen for on-site evaluation will be determined in conjunction with the Management Committee for the evaluation made up of FIPA staff and headed by the Evaluation Unit. A tentative list of countries is provided below and is representative of the MicroLead portfolio overall with respect to (i) the number of projects in Africa vs. Asia, (ii) the number of projects which are Greenfield vs. Technical Assistance vs. Post-conflict, and (iii) the number of countries with have Inclusive Finance programmes ongoing.

Tentative countries for missions: Bhutan, Laos, Pacific (Fiji only), DRC, Ethiopia, Rwanda, Sierra Leone, and South Sudan. This represents 8 projects in Africa and 4 projects in Asia out of 15 projects; 7 Greenfields, 3 TA and 2 post-conflict out of 15 projects; and 6 countries with IF programme and 2 countries without an IF programme.

Country	Grantee	Africa or Asia	Greenfield or TA	IF programme
Bhutan	BASIX/BDBL	Asia	TA	No
Laos	CARD/9 subgrantees	Asia	TA	Yes
	ACLEDA	Asia	Greenfield	
Timor Leste	BASIX/TRM	Asia	TA	Yes
Vanuatu, Solomon	Westpac	Asia	Greenfield	Yes

Islands, Samoa				
DRC	OI	Africa	Greenfield	Yes
Ethiopia	BASIX-BG, Wasasa, AEMFI		TA	No
Liberia	BRAC	BRAC	Greenfield	Yes
Rwanda	Equity Bank	Equity Bank	Greenfield	Yes
Sierra Leone	BRAC	BRAC	Greenfield	Yes
South Sudan	BRAC	BRAC	Post-conflict/Greenfield	Yes
	Finance Sudan	Finance Sudan	Post-conflict	
	SUMI	SUMI	Post-conflict	
	Equity Bank	Equity Bank	Greenfield	
Tanzania	Equity Bank	Equity Bank	Greenfield	No

c) Evaluation collaboration

The Terms of Reference for the evaluation and the draft report will be shared for comments with members of UNCDF Senior Management Committee in addition to the funder, the Bill & Melinda Gates Foundation, and the MicroLead Expansion funder, The MasterCard Foundation.

The evaluation will be conducted according to standard UNCDF evaluation practice and will be managed by UNCDF's Evaluation Unit, which is independent of UNCDF's two practice areas. The Evaluation Unit reports directly to UNCDF's Executive Secretary. The support of the MicroLead Programme Manager and Portfolio Specialist will be sought, when appropriate.

B. Programme profile

a) UNCDF **contributes to the achievement of the Millennium Development Goals through a variety of innovative approaches in the sectors of local development and inclusive finance.** UNCDF Financial Inclusion Practice Area [FIPA] operates inclusive finance programmes in 25 least developed countries (LDCs) in sub-Saharan Africa and Asia/Pacific through a sector-based approach and, more recently, thematic initiatives. A key element of UNCDF FIPA's sector-based approaches and thematic initiatives is the provision of financial assistance to a portfolio of 90 Financial Service Providers [financial service providers] and 2 Mobile Network Operators [MNOs]. This portfolio has steadily increased in recent years, growing from a baseline of 19 financial service providers in 2005, to 37 in 2008, 65 in 2009, and 85 in 2010. The number of clients reached has increased from 1.7 million in 2008 to 2.5 million in 2009 and 3.5 million in 2010. In 2008, UNCDF FIPA saw a growing global trend of strong national financial service providers (financial service providers) showing an increasing willingness to expand their operations regionally and globally to other countries. Based on proven business models, it was felt that these market leaders could rapidly scale-up their own operations into new markets, offering a variety of products and services while accelerating the overall pace of sector development in a country. Bringing a market leader to an underserved LDC was expected to result in faster outreach to significantly more clients than if FIPA continued to work solely with national financial service providers that needed extensive technical assistance and support. Yet, many of the strong financial service providers were focusing their expansion on non-LDC large market countries. Thus, UNCDF initiated the MicroLead programme to support market leaders to enter LDCs with either Greenfield or TA programming. Also, a focus on savings-led methodologies was included in MicroLead due to the fact that savings is more in demand from poor clients than credit.

UNCDF has significant experience from the successful global MicroStart programme in facilitating concrete examples of South-South collaboration and strong relations with LDC policy-makers (Central Banks) through its sector programmes. UNCDF also has experience from its support to MicroSave in developing savings-based market leaders. UNCDF is utilizing MicroLead to induce financial service providers with proven track records to consider expanding their operations to include LDCs, leveraging UNCDF's funds and yielding significant outreach. The LDC Fund to Develop Savings-led Market Leaders for Inclusive Finance was designed to complement UNCDF's sector development programmes, its primary tool for building inclusive financial sectors at country level. UNCDF's sector development programmes focus on removing constraints at policy, meso and retail levels for all financial service providers, including those receiving funding from MicroLead. This LDC Fund for Inclusive Finance was expected to provide an opportunity to support the entry of proven market leaders with proven savings-led business models into underserved LDCs.

The programme envisioned supporting up to ten (10) financial service providers with a combination of grants/loans. These grants/loans were to be tranched over the period 2008-2013. From a baseline of zero (0), the LDC fund is expected to add 525,000 active clients in the targeted countries by the end of 2013 through a combination of grants and loans. UNCDF also envisioned at programme inception incorporating lessons learned over the initial years and preparing during 2009-2010 an expansion programme to scale-up the existing programme in subsequent years. In July 2011, UNCDF raised an additional $23.5 million from The MasterCard Foundation to expand the MicroLead programme ("Expansion Programme").

The MicroLead programme also has a second window focused on early support to post-conflict countries. By encouraging the entry of good practice financial service providers as soon as key conditions are met, it was posited that post-conflict countries would be able to launch a range of financial service providers based on good-practices, leading to an earlier scaling-up of sustainable outreach and an inclusive financial sector. The post-conflict window was envisioned to help avoid the post-conflict vacuum being filled by unsustainable practices that have wasted donor funds and undermined market development in some post-conflict countries. Also, the post-conflict window was not limited to market leaders or to savings-led methodologies.

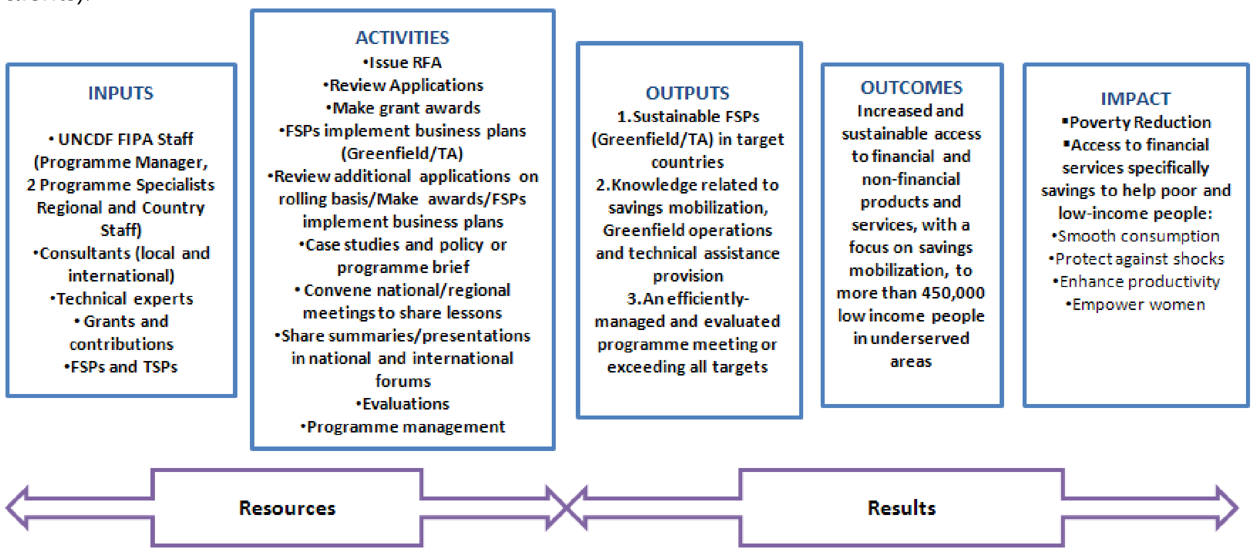
A list of relevant documents is included as ANNEX 1 of this TOR.

b)Programme summary:

UNCDF has been implementing the MicroLead programme since October 2008. It is a global programme for LDCs. To date, performance-based agreements have been signed as shown below:

Country	financial service providers	Intervention	performance based agreement Date
ASIA			
Bhutan	BASIX-BDBL	TA	Dec 2009
Laos	CARD-9 national institutions	TA	Dec 2010
Laos	ACLEDA	Greenfield	Expected Q4 2011
Timor Leste	BASIX-TRM	TA	Dec 2009
Vanuatu, Solomon Islands, Samoa	Westpac	Greenfield	Sept 2011
AFRICA			
DRC	OISL	Greenfield	Oct 2009
Ethiopia	BASIX-BG, Wasasa, AEMFI	TA	July 2011
Liberia	BRAC	Greenfield	Oct 2009
Rwanda	Equity Bank	Greenfield	Expected Q4 2011
Sierra Leone	BRAC	Greenfield	Oct 2009
South Sudan	BRAC	Post-conflict/Greenfield	Nov 2008
	Finance Sudan	Post-conflict	Dec 2008
	SUMI	Post-conflict	Nov 2008
	Equity Bank	Greenfield	Dec 2009
Tanzania	Equity Bank	Greenfield	Expected Q4 2011

Although not included in the original Programme Support Document, the Results Chain of the Expansion Programme Document, shown below, depicts the results chain for the existing MicroLead programme except that (i) the existing MicroLead programme includes one staff member fully committed to the programme (it does not include two Programme Specialists, as noted in the Results Chain below) and (ii) the expected outcome of the existing programme is 525,000 net new clients (while the MCF-funded Expansion programme's expected outcome is 450,000 net new clients).



c) Programme expected results:

As set out in the results and resources framework of the original Programme Support Document, the expected results of the programme are as follows:

Intended outcome (as stated in the Strategic Results Framework): Poverty reduction and achievement of the MDGs. Strategic plan key results area 1: Promoting inclusive growth, gender equality and the achievement of the MDGs. Strategic plan outcome 1.7: Policies, strategies and partnerships established to

promote private sector and market development that benefit the poor and ensure that low-income households and small enterprises have access to a broad range of financial and legal services. **Intended Outcome:** LDCs have market leaders developed to support development of an inclusive financial sector.

Output 1: An LDC Fund for Developing Market Leaders for Inclusive Finance is established, with two windows (Leading savings-led financial service providers and Post-Conflict).	**Output 2:** financial service providers have expanded their operations and services to ten (10) LDC countries, making clear progress toward sustainability and considerably increasing their outreach to launch an Inclusive Financial Sector.	**Output 3:** Documentation and publication of lessons learned to facilitate scaling-up.

d) Programme status:

Programme implementation has been proceeding according to the timeline in the grant agreement with the Bill & Melinda Gates Foundation. No major strategic changes have been adopted although the donor has clarified its preference for Greenfield operations and not Technical Assistance projects while understanding that the grant agreement allows for both. In late 2009, UNCDF increased resources for the programme by USD 1.3 million.

Although UNCDF has met all programme targets, the initial Request for Applications in November 2008 was targeted to 59 market leaders but only yielded 14 applications from seven financial service providers (plus one updated application of a previously-approved application). Eight of the 14 applications were approved in principal, representing USD 22.5 million in grants/loans, during an Investment Committee held 7 May 2009. Due to fewer applications than expected and also negotiations on funding amounts, USD 8.9 million remained to be allocated after the initial RFA. Also, a few applications, although approved by Investment Committee, have not proceeded, thus freeing up previously-committed resources. In addition, two grants have been suspended, again freeing up previously-committed resources. UNCDF proceeded to accept applications on a rolling basis but this significantly delayed commitment of funds, which may affect the timing of the broader development outcome of overall improvement in the financial inclusiveness of a country. Also, three agreements were approved and executed in 2008 under the post-conflict window, all of them in South Sudan.

Other lessons learned, and actions contemplated in the Expansion Programme, include:

- Marketing of program from HQ resulted in fewer applications. Facilitation by whole UNCDF technical team has already resulted in stronger interest in the Expansion Programme.

- Government endorsement takes much longer than expected and is not assured. Advance endorsement will be pursued based on initial application review, and a deadline for endorsement will be included in UNCDF letter to governments requesting endorsement.
- Rolling RFA process adds flexibility but resulted in long lead times for complete applications. RFAs will be employed in favor of rolling applications.
- Applicants overstate targets. Applicant review will apply stronger scrutiny in addressing assumptions behind projections and will consider applicants' historical performance.
- Capacity of market leaders to implement according to plan should not be assumed. More emphasis to be placed on capacity and adaptability of applicants as well as experience in various geographic regions.
- Savings focus not always priority of grantee. Eligibility requirements now emphasize savings; more focus in RFA on savings capabilities.
- Approval of project does not guarantee it moves forward. Applicants will be required to submit a letter of commitment/support from board of applicant.

Overview of current implementation status

Outputs	Output Targets	Summary Project Status
Intended Output 1: An LDC Fund for Developing Market Leaders for Inclusive Finance is established, with two windows (Leading savings-led financial service providers and Post-Conflict).	1. Launch programme in 2008 on a demand basis. 2. UNCDF issues targeted request for applications to financial service providers when funding ($10 M) available (2008/9/).	1. Programme launched Nov 2008. 2. USD 20 M raised Oct 2008.
Intended Output 2: financial service providers have expanded their operations and services to ten (10) LDC countries, making clear progress toward sustainability and considerably increasing their outreach to launch an Inclusive Financial Sector.	3. Increase in number of active clients of selected financial service providers: Baseline: 0 active clients: - 60,000 active clients by end of 2009 (50% of 60,000 is min. target). - 135,000 active clients by end year 2010 (75% of 135,000 is min. target). -260,000 active clients year by 2011 (75% of 260,000 is min. target). -360,000 active clients year by 2012 (75% of 360,000 is min. target). -525,000[64] active clients year by 2013 (75% of 525,000 is min. target). 4. At least 10 financial service providers have received grants and loans that are on trend to profitability in accord with business plans.	3. Active net new clients: 2009: 37,094 2010:102,580 4. 12 grants in 11 countries have been issued and 3 grants in 2 additional countries are pending.
Intended Output 3: Documentation and publication of lessons learned to facilitate scaling-up.	5. Documentation of lessons learned from evaluations and operational experience.	5. Lessons learned are captured in the Expansion Programme Document.

[64] Based on global experience, it is expected that these FSPs will continue rapid growth after the initial 525,000 clients achieved during the programme period.

C. Evaluation Framework, methodology and tools

The methodology employed for this MicroLead mid-term evaluation is based on UNCDF's standard approach to project evaluations which involves testing the intervention logic/development hypothesis underlying a programme against evidence on its implementation performance. Two main tools have been developed for this purpose:

- An Intervention Logic Diagram for the Inclusive Finance area (which is further detailed in an Effects Diagram for each practice area), and
- An Evaluation Matrix, which contains eight key review questions that are used in all evaluation exercises, incorporating specific sub-questions which can vary depending on the focus of individual projects.

The standard intervention logic follows below. The standard Evaluation Matrix for UNCDF inclusive finance projects is included in Annex 4.

The findings are built incrementally through pre-mission deskwork resulting in the formulation of an Inception Report by the review team leader (which, inter alia, reviews the relevance of the overall Intervention Logic and makes a judgment whether there will be a need to adjust the Assessment Matrix to the particular programme context). During the inception phase of the evaluation, the consultants should complete a validation exercise to see how far the formal theory of change for the MicroLead programme as set out in the key project documentation and on the basis of interviews with project designers fits the standard intervention logic for FIPA country programmes and accompanying Evaluation Matrix and adjust the evaluation approach accordingly.. As with previous standard UNCDF FIPA evaluations, this (revised, if necessary) intervention logic will then serve as the basic methodological model on which the overall evaluative findings can be made. It should be noted that the MicroLead programme was designed and launched prior to the development of this approach to project evaluations at UNCDF.

The deskwork phase is followed by mission assessments at the various countries where MicroLead is being implemented. In order to have a representative sample of Greenfields, Technical Assistance projects and Post-Conflict interventions plus include geographic coverage representative of FIPA overall and finally include countries with and without IF programming, FIPA suggests the following countries for on-site missions: Bhutan, Laos, Fiji, DRC, Ethiopia, Rwanda Sierra Leone, and South Sudan.

The team's understanding of the global programme design, and its emerging findings and recommendations are deepened through review and analysis of data and information, dialogue with the programme stakeholders and the service users in a series of interviews, focus group discussions and facilitated kick off and debriefing workshops with key MicroLead stakeholders.

The approach concludes with a final report, which then leads to the formulation of a Management Response involving the relevant stakeholders. The final mid-term evaluation report and the Management Response are then uploaded into the UNDP Evaluation Resource Centre Database which is a public website.

a) Background on the standard Intervention Logic/Development hypothesis for the inclusive finance sector in UNCDF

UNCDF takes a sector development approach to micro finance that supports governments and stakeholders in building a common vision for the development of the industry.[65] An early step is to conduct an assessment of the financial services' sector and identify the impediments or gaps at various levels, including: legal, regulatory or policy ("macro" level), financial infrastructure and support services ("meso" level), the retail financial service providers ("micro" level), and the quality and nature of the need and demand for financial services ("client" level). In some cases, IF programmes work with government and other stakeholders to form a national policy or strategy for financial inclusion, so that it may guide stakeholders' work, including UNCDF's. At its core, UNCDF's primary focus is to build the retail capacity in–country, in order to broaden and deepen financial service providers' outreach.

In this light, the concept for MicroLead was born. UNCDF was concerned that in some LDCs, the gap in access to financial services was not being filled adequately by local financial service providers. While supporting national financial service providers via its inclusive finance sector programmes, UNCDF designed MicroLead to encourage southern-based market leaders to enter LDCs. With their expertise, systems, policies, procedures, governance structures and management teams, UNCDF's hypothesis is that by facilitating the entry of market leaders, the overall financial infrastructure in a country will be enhanced and outreach to end clients will be increased significantly. The intent is to shorten the timeframe for financial service provision to a wide section of the un- and underserved populations in LDCs.

More specifically, three hypotheses to be tested for knowledge and learning under MicroLead include:

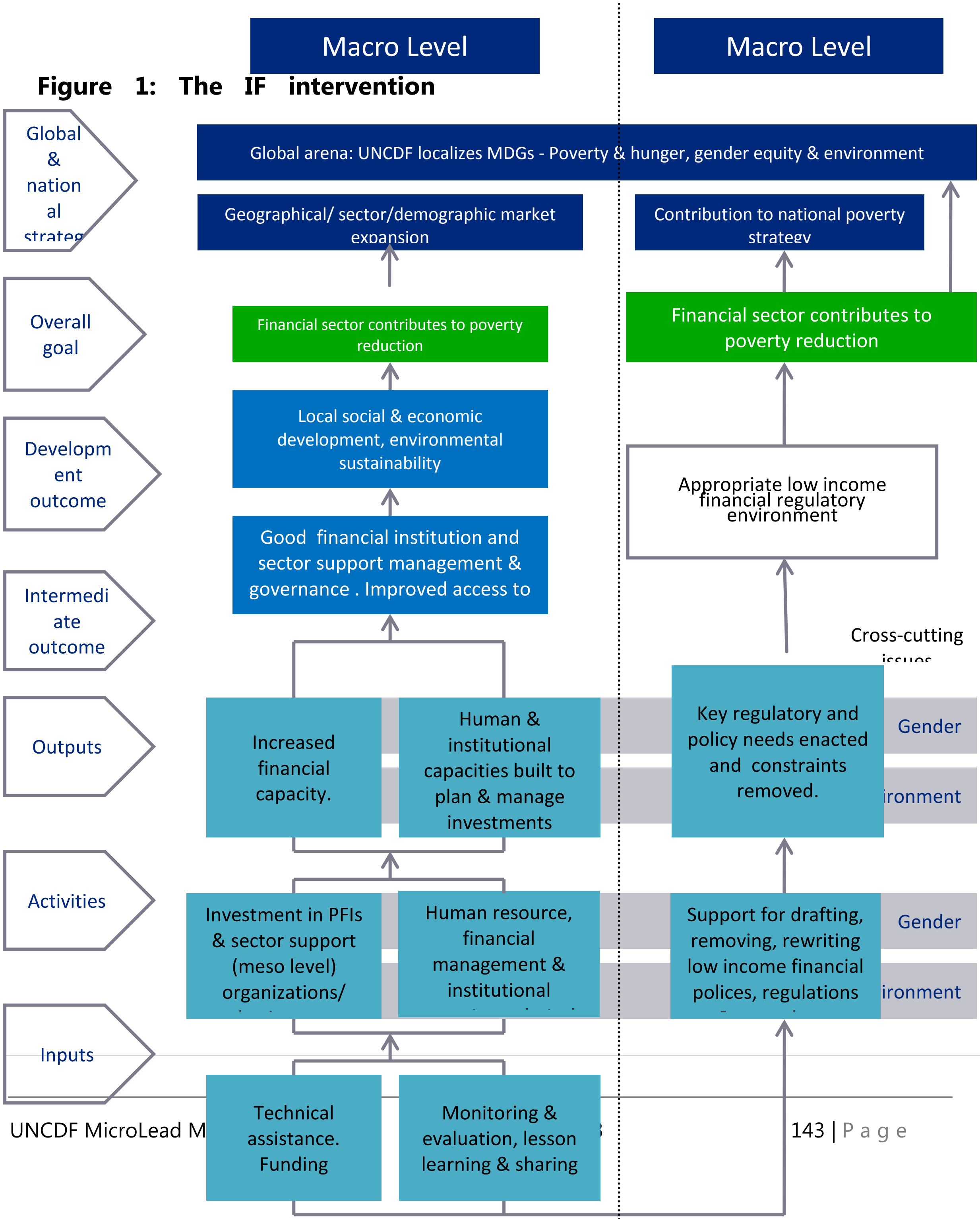
1. Introducing a market leader into a country results in: (a) increased capacity and improved standards for that country's microfinance sector overall; (b) increased outreach for the industry as a whole, (c) a better legal and regulatory environment.

[65] UNCDF (2009) Corporate Management Plan 2010-2013. Pp. 7-8.

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 financial service providers as well as end-clients.

The standard intervention logic for UNCDF's approach to supporting the development of inclusive finance sectors is illustrated in the figure below. As noted above, one of the key tasks for the evaluators in the inception phase will be to assess how the intervention logic underlying MicroLead differs from the standard country approach, and what accompanying changes need to be made to the standard evaluation matrix to best accommodate these differences in expected outputs and outcomes. In completing this exercise, attention should be placed (i) on how generic thematic programmes are different from country programmes in their expected objectives and chain of results and (ii) how distinct MicroLead is in terms of its expected results compared to other thematic programmes. The fact that this evaluation exercise is bundled into a broader portfolio review exercise being conducted by the same consultants should greatly assist in this task.

Figure 1: The IF intervention



Standard IF Programming

Technical and financial **inputs** from UNCDF and other donors support programme activities. These programme **activities** include supporting the development of the microfinance (and to some extent microenterprise) sector at the micro, macro and meso levels, albeit to different degrees depending on projects.

At the **micro level**, capacity building and sometimes loan capital is offered to financial service providers based on performance - financial service providers are required to meet clear targets and performance standards to maintain UNCDF support. This is the level of intervention of MicroLead projects. At the **meso level**, programmes seek to identify and, if possible, support financial sector infrastructure that assists in the strengthening of the microfinance sector. This can include sector associations, business development initiatives, credit bureaus, consumer finance education and protection agencies/initiatives etc. At the **macro level**, interventions include working with government and regulators to ensure that laws, regulations and policies are inclusive, or, at a minimum, do not reinforce exclusive financial practices and that they support and encourage the sector to expand into low income markets according to principles of transparency and fair/free market mechanisms (e.g., absence of interest rate caps, no undue taxation etc.).

IF programme activities result in a number of **outputs:** these take the form of improvements to the health and economic potential of financial service providers, and sector service organizations (SSOs) at the meso level. The **intermediate outcome** flowing from these outputs is stronger, more stable IF sector and related meso level sector support organizations and enabling inclusive finance policy and regulatory environment supporting the sustainable provision of financial service to low income households. As with Local Development Programmes, the pursuit of these goals contributes to the achievement of the MDGs within a country and thus, to UNCDF's **global strategy** of localising the MDGs.

b) Evaluation matrix

The standard evaluation matrix for inclusive finance is based on the intervention logic described above. The questions posed in the matrix seek to establish whether the anticipated effects illustrated in the framework have actually been achieved. The matrix relates each question to indicators, tools and sources of information. The tools used by the team are documentary and data review, key stakeholder interviews, facilitated kick off and debriefing workshops, focus group discussions, community meetings and site visits. The assessment matrix is presented in **Annex 4** in its general formulation, descending from the general framework and therefore applicable to different country programs. As described above with reference to the framework, the general matrix shall serve as reference tool and guidance in tailoring and applying question on the basis of the specificity of each program. As discussed above, one of the expected deliverables from this Evaluation is a proposed alternative Evaluation Matrix for MicroLead, which could also be used for global/regional thematic programming such as YouthStart, CleanStart, and Mobile Money.

D1. Contents and Scope of the Evaluation

Taking due note of the results of the reworking of the results framework and the evaluation matrix, the findings of the evaluation should be structured according to the main evaluation questions set out in the matrix. The current evaluation questions are included below.

While there is some flexibility in the content of the questions, the range and number of questions should be sufficient to support overall findings in terms of the standard UN/OECD DAC evaluation criteria: effectiveness, efficiency and likely impact and relevance/quality of design, sustainability as with the current evaluation questions below.

Questions for Inclusive Finance	Corresponding UN Evaluation Criteria
Question 1: To what extent does the programme design meet UNCDF's Inclusive Finance intervention logic and meet the needs of the partner country?	Relevance
Question 2: To what extent has the programme contributed to increased Financial Service Providers/Sector Support Organizations/Government Agencies institutional capacity?	Efficiency and Effectiveness
Question 3: To what extent has the programme contributed to improved access to appropriate low income person's financial services?	Effectiveness and Likely Impact
Question 4: To what extent has the programme enhanced the market for IF services?	Effectiveness
Question 5: To what extent is the programme likely to result in financially viable (i.e. sustainable) financial service providers/SSOs in the longer-term, independent of external assistance of any kind?	Sustainability
Question 6: How effective has the management of the IF programme been?	Efficiency
Question 7: How well have partnerships with donors and	Efficiency and Effectiveness

governments supported the programme?	
Question 8: To what extent were piloted approaches conducive to regulatory/policy/strategy developments in the Inclusive Finance area?	Effectiveness

These eight questions have been drawn up with a view to focusing the evaluators' attention on the main results of project implementation to date, as well as important factors affecting project results such as project relevance and quality of design, project management, and the positioning of UNCDF with regard to other actors in the area of inclusive finance.

Each of the eight questions includes sub-questions (**see Annex 4**), which guide evaluators in what aspects of project performance they should be focusing on during their work. These sub-questions also include indicators, data collection methods and information sources, which should be used as a means to answer the overall review question.

In the evaluation matrix for standard FIPA country projects, the eight questions generally remain the same for all inclusive finance evaluations in order to ensure comparability of results over a sample of different projects. As stated above, one of the tasks of the evaluators should be to see to what extent the revised logic diagram and accompanying matrix can combine both generic elements for all UNCDF thematic programmes as well specific elements of interest to the MicroLead programme. The generic elements could then be used for future evaluations of UNCDF thematic programmes.

The proposed logic diagram and evaluation matrix should be presented as part of the Inception Report and agreed by the Evaluation managers before the start of the in-country phase.

D2. Specific Questions for the Evaluation

The existing Evaluation Matrix includes a whole series of sub-questions many of which are likely to remain relevant to the MicroLead evaluation. In addition, when finalizing the Evaluation Matrix for MicroLead, the evaluators should take into account the additional questions below which are of particular interest to key MicroLead stakeholders:

1. **Relevance**: To what extent does the programme design meet UNCDF's Inclusive Finance intervention logic and meet the needs of the partner countries?

    - Internally: What is the alignment of MicroLead financial service provider investments with UNCDF strategy (both globally [see http://www.uncdf.org/english/microfinance/ and as defined by each individual MicroLead investment)? How is UNCDF "additionality" assessed at time of financial service provider application? What added value was created by UNCDF investment that could not have been achieved via a country-specific Inclusive Finance program? Was the programme logic, design and strategy optimal to achieve the desired programme objectives/outputs, given the national/local context and the needs to be addressed?

- Externally: What added value was created by MicroLead that could not have been achieved independently ("additionality")? Do the performance based agreements between UNCDF and the financial service providers ensure additionality from UNCDF funding? More specifically, what value add did UNCDF supply to the market leaders? Does UNCDF funding catalyze market leaders into new markets or products that they might have not done without UNCDF funding?
- How relevant is MicroLead compared to inclusive finance sector needs? Specifically, how relevant is it in terms of product range [grant, loan], and type of partners (Greenfield, TA, post-conflict, …)?
- Should UNCDF revise its MicroLead investment strategy to enhance its additionality and the relevance of its MicroLead investments? If so, how?
- Is UNCDF meeting the 'taking risks' objective in its global strategy by employing the MicroLead programme i.e. "UNCDF's readiness to invest in young and promising financial service providers, including in very challenging contexts. UNCDF is also willing to develop programs in post-conflict contexts at an early stage, provided minimal conditions of political and economic stability are met."
- Is there a difference in the risk profile of financial service providers that mobilize voluntary savings versus credit only financial service providers?
- Given the importance of scale and reaching large numbers of poor people with sustainable services to achieving the MDGs, does the MicroLead programme enhance/complement UNCDF's goal of significant outreach to make a difference in its portfolio?
- Given the importance of innovations that meet target populations needs – a broader, more appropriate range of products/services [e.g. savings, mobile money, remittances, insurance], does the MicroLead programme help leverage a grantee's ability to scale up and introduce innovations (i.e., product diversification, rural expansion, focus on women)?
- Does introducing a market leader into a country result 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.
- Has the policy environment had consequences for programme performance?
- To what extent have general economic conditions affected programme goals and do they remain conducive to the development and expansion of inclusive financial services being developed by the programme?
- Are there any other factors external to the programme that have affected successful implementation and results achievement?

2. Effectiveness: Are UNCDF's MicroLead investments and its internal management of this portfolio effective in terms of achieving its intended results?

- Is MicroLead achieving its specific objectives and expected results? Have MicroLead's investments been effective (objectives and results obtained against initial objectives and results)?
- How can MicroLead improve its effectiveness? [Country Visits]

- Given output achievement and related delivery of inputs and activities to date, is MicroLead likely to attain its Immediate and Development Objectives? Specifically:
- What are the early indications of whether MicroLead is likely to make a tangible contribution to achieving its overall development and immediate objectives?
- Assess the performance of the MicroLead programme with regard to the High-Level Outcome Indicators in the UNCDF Strategic Results Framework.
- Does MicroLead adequately follow up on funded financial service providers? Monitor their performance and ensure positive trends?
- Does MicroLead adequately enforce performance based agreements [performance based agreements] for financial service providers that are missing performance targets? [supplementary data source: "performance based agreement enforcement snapshot" as of November 2010"].
- Has MicroLead made good choices about where to support 'greenfield' financial service providers, technical assistance to existing financial service providers, and/or when to combine both? More specifically, has MicroLead supported greenfields in countries where existing local financial service providers are unlikely to cover the market in a reasonable period of time? Did performance differ significantly between financial service providers that were initiated with support from MicroLead (greenfields) and those financial service providers that received technical assistance from a market leader? Did performance differ significantly between those financial service providers that were offering savings at the start of the project or projected to offer savings from inception, and those for which savings products were contemplated to be added at a later date (implying a transformation exercise would be needed)?
- Evaluate whether the investments approved by the Investment Committee are likely to contribute to the creation of a more Inclusive Financial Sector? If not, what is missing?
- Evaluate the capacity of the MicroLead grantees to meet their respective responsibilities in the programme. Are they the most appropriate implementing partners? What capacities are the responsibility of the programme to strengthen?

3. Efficiency: Are MicroLead's investments efficient in terms of resources and time allocations?

- Are the objectives being achieved cost-effectively? Are the outputs and results achieved within a reasonable time period? If delays, are these related to internal factors that UNCDF could address vs. external factors?
- How can MicroLead improve its efficiency?
- *Project management:*
- Are the management arrangements for the programme adequate and appropriate?
- How effectively is the project managed at all levels? Is project management results-based and innovative? How well has the management relationship worked between (i) UNCDF and financial service providers and (ii) UNCDF and the Gates Foundation? What changes in the management structure of the programme could be proposed to improve programme effectiveness?

- Do management systems, including M&E, reporting and financial systems function as effective management tools, facilitate effective implementation of the project, and provide a sufficient basis for evaluating performance of the programme?
- Regarding financial systems: assess any bottlenecks in the system of financial disbursement between the project partners and beneficiaries.
- Regarding M&E, does the project monitoring system include:
    - A baseline that enables a good understanding of the target populations and market for financial services?
    - Appropriate and cost-effective indicators and related targets linked to the baseline that will enable monitoring of process, output and outcome level performance?
- *Other:* Are there any other project-related factors that are affecting successful implementation and results achievement?
- Is MicroLead developing a sound reputation vis a vis financial service providers it funds (do we ask for a lot? Are we standardized? Do we disburse on time? Etc (what are the impressions of the financial service providers about us)?
- How relevant are conditions precedent in the performance based agreements [performance based agreements] with financial service providers? Are they too loose? Too strict? Do they really bring value added to the project?
- How realistic are the financial projections provided in the MicroLead applications? What sanctions, if applicable, could be applied to the MicroLead grantee if projections are not respected? Has MicroLead efficiently handled instances when financial service providers did not meet their projections/commitments in performance based agreements?

4. Impact: What is the likely impact of MicroLead's investments on Financial Service Providers [financial service providers]?

- What likely impacts [Financial Service Providers [financial service providers], financial sector] have been achieved through MicroLead's investments? What intended and unintended positive and negative direct results have occurred from individual investments and have these results impacted UNCDF's country or regional strategy in a positive or negative way?
- How can MicroLead improve its impact? What are the internal factors that MicroLead could adjust [vs. external factors] to improve impact?
- Is MicroLead funding to financial service providers helping to achieve growth in underserved markets/regions?
- Will MicroLead's savings focus result in stronger, more resilient financial service providers?
- Is MicroLead funding likely to result in a greater impact on the poverty indicators and capacity of the overall microfinance industry in a specific country as compared to a country where UNCDF intervenes only with a sector programme?
- Is MicroLead designed to be complementary to other global thematic initiatives?
- Is the UNCDF funding likely to achieve increased resources available to low-income clients beyond UNCDF's initial investment?, i.e. leverage as measured by numerator [net change in

value of savings mobilized] divided by denominator [supplementary data source: UNCDF annual report baseline worksheet]

On this dimension, consultants will not assess comprehensively the likely impact of each eligible project, nor individual clients of financial service providers. Consultants will report on impact in the few cases where reliable information is available. In the other cases, they will assess whether the projects have a probability, by their design, to generate a positive impact on final beneficiaries.

5. **Sustainability: Are MicroLead's investments leading to sustainable provision of financial services for the intended clients?**

   - Is there a positive trend toward sustainability of results? How will the results continue beyond the end of assistance? Is there a clear exit strategy for UNCDF's support?
   - What percent of the financial service providers in the MicroLead portfolio are on track and likely to develop into 'market leader' institutions?
   - How can UNCDF projects further support the underlying sustainability of investees?
   - Is MicroLead effective in supporting changes in the enabling environment for inclusive finance and in dissemination and establishment of good practices in the country?
   - Is there an added value role for programme partners to play beyond project completion?

6. **Cross-cutting Objectives: What is the performance of MicroLead investments in terms of broader cross-cutting objectives of gender mainstreaming, respect of environmental good governance and best practice principles of aid design and management?** With regards to gender mainstreaming, two elements are to be explored:
   - Country level: UNCDF has promoted increased access of women to financial services by requiring in the performance based agreements that at least 50% of clients of grantees are women. In what other ways, if any, has the MicroLead program had positively or negatively affected women's economic empowerment or gender mainstreaming?
   - Overall: Based on UNCDF's overall strategy and instruments, how can MicroLead best support women's economic empowerment (through increased access, enhanced capability, and expanded opportunities) through its inclusive finance activities at retail level in the future?

In addition to assessing the evaluation questions above, the team should analyze any other pertinent issues that need addressing or that may or should influence future project direction and partners' engagement in the countries of MicroLead intervention.

E. Steps and Sequence

The exercise will comprise the following steps after the Terms of Reference is concluded: the Inception Phase, Mission Phase, the Report Writing Phase and the Management Response phase.

Inception Phase

- Partners consultations and briefing: The evaluation team will be briefed prior to the fieldwork by the Evaluation Unit.
- Desk review of relevant documentation: A list of key reference documents and people to be interviewed is provided in **Annex 1.**
- Inception Report: the evaluation team will produce a brief report which outlines the intervention logic relevant to the programme being assessed within the context of the overall development hypothesis set out in the project document, any modifications to the sub-questions contained in the Assessment Matrix and preliminary conclusions reached from the review of documentation. Updated timeline for deliverables will also be included.

Mission Phase

- Finalization of work plan: the team will review the draft workplan (**Annex 2**) with the Programme Manager and make any adjustments they see fit, taking into account practical and logistical considerations.
- In-country briefings: The evaluation team will be briefed at the start of each country mission by key programme stakeholders. Where feasible, the team should meet with UNCDF country and regional technical staff as well as representatives from UNDP during country missions.
- Fieldwork: Conducted in the capital and locations where supported financial service providers are based. As far as possible, the team should discuss findings with beneficiaries and stakeholders at each stage of the review and obtain their feedback.
- Findings are shared with the in-country UNCDF FIPA team, if applicable.
- Preparation for UNCDF HQ debriefing -Aide Mémoire/Power Point presentation: On the basis of its findings, the Consultant team will prepare an *aide mémoire*, which will be shared with all key stakeholders as a basis for discussion.

Debriefing

- UNCDF HQ Debriefing: At the meeting, the team will present their key findings and recommendations to key stakeholders for discussion. The minutes of the meeting will be taken by the FIPA, and shared with all key stakeholders.
- Draft Report and Summary: The evaluation team will submit a Draft review report and Evaluation Summary to the UNCDF Evaluation Unit, which will circulate the draft to all key stakeholders for written comment.
- Final Debriefing: A final debriefing at HQ will be provided by the lead consultant. The debriefing will be chaired by the Executive Secretary of UNCDF and other stakeholders will also be invited to attend. The Evaluation Unit will be responsible for the minutes of the

debriefing, which will be submitted promptly to the team Leader for consideration in finalizing the evaluation report and summary.

Report Finalization Phase

- The Final Mid-Term Evaluation Report will be submitted by the team Leader to the UNCDF Evaluation Adviser, who will disseminate it to all key stakeholders. This final report will include an Annex in which the evaluation team will present the findings, recommendations and issues for consideration and response by the programme manager. The standard Management Response template, available on the UNDP Evaluation Resource Centre (ERC) database, will be used for this purpose.

Management Response Phase

Management Response: the Director of FIPA will be responsible for facilitating the formulation of a Management Response to the findings and recommendations by relevant stakeholders **within 30 working days** of receiving the final report from the Evaluation Unit. The Management Response will be submitted to the Deputy Executive Secretary for clearance and then noted by the Executive Secretary. The completed Management Response will be uploaded into the UNDP ERC database by the UNCDF Evaluation Unit, together with the completed report. Progress in terms of implementing action agreed to in the Management Response is the responsibility of the Director of FIPA.

Deliverables

The Technical Lead, MicroLead, is responsible for preparing and submitting the following deliverables:

- An **Inception report** is prepared and shared with the Evaluation Unit and other key stakeholders prior to the fieldwork
- ***Aide Mémoire*/Power Point Presentation**: A summary of key evaluation findings and recommendations prepared towards the end of the evaluation and submitted to the project team and the UNCDF Evaluation Unit before the Evaluation Consultation Meeting.
- **Draft Evaluation Report**: The Technical Lead, MicroLead consultant is responsible for consolidating the inputs of team members, and taking into consideration comments received at the in-country evaluation consultation meeting, to produce a coherent Draft Evaluation Report and Evaluation Summary, according to the format in **Annex 3**.
- **Final Evaluation Report and Management Response**: Based on comments received on the Draft Evaluation Report, and at the UNCDF evaluation debriefing, the team Leader of the contract and Technical Lead, MicroLead consultant will finalise the evaluation and summary, with input from other evaluation team members, as required, and submit the Final Evaluation Report and Summary to the UNCDF Evaluation Advisor within five days of the receipt of the minutes of the UNCDF evaluation debriefing, or by the agreed date.
- **Evaluation Summary:** as described in Annex 5

The evaluation team's contractual obligations are complete once the UNCDF Evaluation Advisor has reviewed and approved the Final Evaluation Report for quality and completeness as per the TOR.

F. Composition of Evaluation team

The consultants for the evaluation are recruited and managed by the Evaluation Unit in UNCDF, New York. The review team shall consist of two (2) consultants who should be independent from UNCDF. Both consultants will work on both the MicroLead evaluation and the portfolio review assignments, with the overall team Leader taking final responsibility for both reports, and the second consultant as the Technical Lead and responsible for writing the first draft of the MicroLead Evaluation.

The team Leader's responsibilities will include the following:

- Being the primary contact with UNCDF's evaluation unit while managing the Portfolio Review (in consultation with the advisory committee) and MicroLead evaluation.
- Leading the evaluation team in planning, conducting and reporting on the MicroLead evaluation and the Portfolio Review.
- Ensuring the use of best practice evaluation methodologies in conducting the MicroLead evaluation and the Portfolio Review.
- Quality control for both the Portfolio Review and MicroLead evaluation reports

The MicroLead Technical Lead consultant's responsibilities will include:

- Taking technical responsibility for the conduct and writing up of the MicroLead evaluation

- Contributing to the implementation and writing up of the Portfolio Review.

The exact division of tasks will be discussed further during the inception phase of both evaluations with the selected consultants.

These specific responsibilities are in addition to the generic responsibilities outlined in the detailed TOR. It is estimated that the number of days needed to complete the assignment will total 113 days over the period of 1 October 2011 to 1 May 2012 (with 21 March 2012 the deadline for the final Mid-Term Evaluation report), with additional time [up to 14 days] within this period assigned as appropriate for each role.

Budget

This contract will be based on the consultants **daily fee**, that **should be specified in the consultant'[s] proposal to UNCDF**. Payments will be made to the consultant[s] based on the number of days worked. The daily fee is all inclusive and shall take into account various expenses incurred by the consultant during the period of the contract, including daily rate, health insurance, risks and inconveniences related to work under hardship and hazardous conditions, and any other relevant expenses related to the performance of services under the contract.

UNCDF will pay separately travel expenses [economy airfare, visas, terminal expenses and per diems] based on standard UN rates based on actual travel.

G. Tentative Schedule for the Evaluation mission **[see Annex 2]**

The schedule will be finalized during discussions with the consultants prior to any missions.