

UNCDF Inclusive Finance Portfolio Review

Terms of Reference

1. Context

UNCDF contributes to the achievement of the Millennium Development Goals in the Least Developed Countries through a variety of innovative approaches in the sectors of local development and microfinance or inclusive finance. UNCDF Financial Inclusion Practice Area [FIPA] operates inclusive finance programmes in 25 LDCs in sub-Saharan Africa and Asia/Pacific through a sector-based approach and thematic initiatives. UNCDF's sector-based programmes operate in 20 LDCs, 12 of which are in Africa, 7 in Asia/Pacific¹ and 1 in the Arab States.

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 [FSPs] and 2 Mobile Network Operators [MNOs]. This portfolio has steadily increased in recent years, growing from a baseline of 19 FSPs in 2005, to 37 in 2008, and 65 in 2009. Most of these FSP 'investments' [grants, soft loans, technical assistance] are in sub-Saharan Africa [SSA]. As of 2005, UNCDF's portfolio was solely in SSA. Since 2006, UNCDF has formulated four [4] programmes in Asia and the Pacific. At present, 85 % of the FSPs supported by UNCDF are in Sub-Saharan Africa [SSA].

The majority [83%] of UNCDF funding is provided to retail FSPs [see UNCDF submission for CGAP Annual Funder Mapping Survey]. UNCDF utilizes a sector development approach to provide this funding at country level, also examining issues at the policy and meso level in its support to LDCs. To complement these country programmes, UNCDF has initiated global/regional thematic approaches [market leaders, youth, clean energy, mobile money, microinsurance [with the ILO] and remittances [with IFAD].

UNCDF has a current total portfolio of more than USD 100 million of its core and non-core resources to building inclusive financial sectors in the Least Developed Countries [LDCs].

The 2009 SmartAid review of UNCDF inclusive finance activities concluded that the institution had an overall "good" system in place to support inclusive finance. It however recommended that a portfolio review be undertaken in order to reflect upon historical performance and use the derived lessons to improve program design and operational systems.

¹ Four LDC countries are covered by the Pacific Islands sub-regional programme.

2. General objectives

This portfolio review aims at **assessing whether UNCDF's inclusive finance activities are effectively geared towards achieving the over-arching objective of contributing to the Millennium Development Goals, in particular by fighting against poverty.**

The specific objective of the portfolio review is to provide UNCDF with a comprehensive assessment of the results of its approach to developing inclusive sectors in the least developed countries, both in terms of the performance and effectiveness of the individual FSPs it is supporting, as well as – in line with UNCDF's sector development approach - its impact on the broader policy and institutional environment in countries where it is active. The exercise should also include a series of recommendations to adjust its inclusive financial sector strategy or operational modalities as needed.

A key element of the review will be to compare performance of the portfolio of projects against the strategic objectives of the FIPA approach, both in its sector programs as well as its thematic initiatives. This will ensure that the level of analysis extends beyond an assessment of individual FSPs acting individually into a more strategic assessment of results of UNCDF's approach to supporting the development of inclusive finance sectors in the least developed countries.

The portfolio review exercise will proceed in four main stages: i) elaborating and agreeing a standard results framework for UNCDF interventions that can be used as a basis for coming up with synthesized evaluative findings; ii) a desk phase involving an external assessment and/or validation of both the performance of individual microfinance institutions as well as broader country projects that are being supported by UNCDF; iii) a field phase where a sample of FSPs and country projects will be visited to validate and extend the analysis from the desk review phase and finally, iv) a synthesis phase where overall conclusions will be drawn on the performance of the UNCDF portfolio in terms of the standard DAC² and UN evaluation criteria of design/relevance, effectiveness, efficiency, impact and sustainability as well as a sixth criterion: cross-cutting issues (gender, environment and best practice in aid design and management).³

As applied to UNCDF, these main evaluation questions can be summarized as follows:

1. Are UNCDF's investments in microfinance strategically **relevant**, given its mandate, instruments and comparative advantage?
2. Are UNCDF's investments in microfinance **effective** in terms of achieving their intended results?

² Development Assistance Committee of the OECD.

³ These cross-cutting questions will focus on: i) performance across the portfolio in gender mainstreaming, ii) performance in respecting environmental standards and iii) the extent to which UNCDF's approach respects best practice in aid management, notably: a) alignment and coherence with other development assistance actors, b) harmonization with beneficiary countries' policies and practice and c) respect of national systems for implementation of national public policy.

3. Are UNCDF's investments in microfinance **efficient** in terms of resources and time allocated?
4. What is the likely **impact** of UNCDF's investments in microfinance?
5. Are UNCDF's investments in microfinance leading to **sustainable provision of financial services** for the intended clients? What is the performance of UNCDF 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?

3. Methodology

The portfolio review will be composed of 4 distinct components/phases, which taken together, will allow the consultants to answer the overarching questions above. The 4 phases/components include the following:

a. Finalizing the evaluation methodology

The first task for the evaluators will be to elaborate and agree the overall results framework against which the UNCDF portfolio will be assessed. This will involve a description and analysis of UNCDF's standard approach to supporting inclusive finance sectors in the least developed countries. This will focus specifically on i) the sector development approach that underlies many of UNCDFs so-called country projects and ii) support to thematic objectives across a number of countries that is making up an increasing part of UNCDF's project portfolio. On the basis of a review of key documentation and interviews with key programme stakeholders, the consultants will set out an overall results framework for UNCDF's support to inclusive finance against which the performance of the portfolio can be judged. This results framework will represent both sector and thematic programmes and will be closely tied to the evaluation criteria described in the previous section.⁴

b. Desk Review:

The overall objective of the desk review is to make best use of evidence from key documentation and the findings of a specially-designed questionnaire to assess as thoroughly as possible the performance of the whole portfolio.

The desk review will include:

⁴ In developing the results framework, the consultants should take account work done to develop a programme logic – or 'effects' - diagram for inclusive finance that was developed under the SPIRE initiative in early 2010 to standardize the focus of UNCDF project evaluations in terms of the project results being assessed. This 'effects diagram' did not take account of UNCDF's thematic programmes as these have taken on new prominence within the portfolio since early 2010.

- i) assessment of the performance of all financial service providers (FSPs) supported by the project by comparing a set of standard financial and operational performance indicators from the time of investment to the latest reports provided, and:
- ii) assessment of the performance of all programmes [country and thematic] performance against the standard DAC⁵ and UN evaluation criteria of design/relevance, effectiveness, efficiency, impact and sustainability as well as a sixth criterion, encompassing three standard cross-cutting questions as further defined in the Consultant's Inception report: i) gender, ii) environment and iii) best practice in aid design and management, including the value added of UNCDF's approach and performance.

One of the key deliverables of the desk phase will be a set of scores for **both** i) FSP performance and ii) overall project performance. The consultants will be asked to validate the proposed scoring systems developed initially by UNCDF.

c. Country visit phase

The objective of the field phase of the portfolio review is to validate the findings from the desk review – including the proposed scores - by visiting a sample of country projects and extending the methods used by the evaluators to face-to-face interviews with project participants and indirect project stakeholders.

The findings for this phase will be informed by visits to at least 6 countries and not more than 9 countries in total [2-3 per consultant]. The country visits are intended to provide data not only for the portfolio review exercise but also the MicroLead evaluation and should be selected accordingly.⁶

d. Synthesis phase

After completion of the three components above, the evaluation team will analyze the results of the desk reviews, and county site missions to draw out major trends and conclusions related to UNCDF's strategic relevance, effectiveness, efficiency, impact and sustainability on the basis of the agreed evaluation questions and sub-questions in the section below. This will form the basis for the final report.

Briefing and Facilitated Strategy Discussion with UNCDF:

Once a final report has been developed, the consultants will deliver a briefing on the major findings and recommendations and will facilitate an internal meeting with UNCDF on how these recommendations will influence UNCDF's strategy for microfinance moving forward.

⁵ Development Assistance Committee of the OECD.

⁶ There are separate, complementary Terms of Reference for the MicroLead mid-term evaluation.

Management Response:

The Director of UNCDF's Financial Inclusion Practice Area [FIPA] will be responsible for preparing a formal Management Response for UNCDF senior management detailing how UNCDF plans to respond to the Portfolio Review's findings and recommendations. This management response will be available **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 approval 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 the Practice Area.

4. Evaluation methodology

The study will use both quantitative and qualitative techniques drawing on information provided by UNCDF and the direct beneficiaries of UNCDF support as well as external stakeholders. One of the tasks of the team during the country visits should be to assess and validate the quality of monitoring and performance information being provided by beneficiaries of UNCDF support.

An Advisory committee will be established to support the process, validate the deliverables and validate upcoming actions to be carried out. The Committee will comprise UNCDF's Evaluation Unit, CGAP, and a representative from the MIX Market. The specific role of the Advisory Committee will be as follows:

- Review and approval of TOR;
- Review of assessment methodology/scoring methodology;
- Review of draft report;
- Participation in the HQ briefing and debriefing session;

In order to ensure independence of the review, the overall exercise will be managed within UNCDF by the Evaluation Unit which operates independently from the Inclusive Finance practice area, reporting directly to the Executive Secretary. The Director, Deputy Director UNCDF FIPA, FIPA's focal point for Knowledge Management, and Senior Regional Technical Advisors may sit as observers.

5. Review phases

a. Launch of the exercise and finalization of methodology

The first tasks for the evaluators will be to elaborate, finalise and agree the overall results framework against which the UNCDF portfolio will be assessed as well as the tools and methods that will be used to come up with the FSP assessment as well as project assessment at country levels.

UNCDF will propose a scoring system for assessing the FSPs and the country projects which should be validated and, if necessary, altered by the evaluation team to meet specific issues arising from the approved results framework. For FSPs, this will be based on standard CGAP- approved approaches to assessing the performance of microfinance institutions; for the country projects, this system will be based on the 5 standard OECD/DAC criteria (see below for more information).

b. Desk Review and Grading of Both FSPs and Programmes [Country and Thematic]

Overall, the desk review part of the exercise is intended to provide a substantive basis for the overall conclusions of the final portfolio review report. The desk review will include an external assessment/validation of UNCDF performance at 2 core levels: i) **all individual FSPs** that are currently supported in the portfolio and ii) the **individual sector-based country projects and multi-country thematic programmes** that UNCDF supports. This is to reflect the fact that UNCDF's core mission with its inclusive finance programme goes beyond direct support to individual FSPs to a broader sector development approach.

1. Assessing FSP performance

The review team will collect and analyze data on all committed UNCDF inclusive finance investments active as of June 2011. The review should include data at time of investment and at time of the portfolio review so as to allow an assessment of project results.

For the review of individual FSP performance, the primary source of data will be the performance based agreements [PBAs] and Financial Inclusion Online [FIOL], the standard quarterly reporting maintained in UNCDF's internal information systems. In some cases where data may not be available, external data sources may also be consulted (such as the MIX or direct communication with the investee).

The scoring will be mostly based on the following data :

- Key operational indicators: net change in total portfolio size, total voluntary deposit size (less institutional depositors),
- Outreach (net change in active borrowers, and active savers; % women)
- Poverty level of clients (e.g. average outstanding balance/GNI)
- Portfolio quality (PAR-30 days)
- Efficiency (Operating expense ratio, Cost per client)
- Trend in Profitability (OSS, FSS, ROA)

Consultants should also consider the following additional data in a standardized form in order to allow for comparison across projects:

- Investee: Level ; Organizational type and legal status (no legal status, NGO, cooperative, credit union, NBF, commercial bank, specialized inclusive finance bank, community group, government, other); Age of investee at time of investment and age at time of review;

- Investment: amount; type (debt, grant); Duration/term;; other funders involved and % of funding from UNCDF
- Project management: , type of contract (e.g. performance based or not); performance targets from the performance based agreement and degree targets met; key historical dates in project life (approval, supervision, potential crisis, etc.)
- Results, Likely impact: any data existing on investment impact;
- Key valued added for the FSP;
- Other funders participating in the Investment Committee
- Percent of funding for UNCDF designed programme relative to total grant money programmed for inclusive finance in the country;
- Government bodies involved in Investment Committee [voting, non-voting].

The team should present their analysis of FSP performance according to a standardized reporting template. The template may incorporate data from the MIX Market as needed. This should be developed in cooperation with the Advisory Committee.

2. Assessing country project performance

The assessment of the performance of programmes [country and thematic] performance will be based on the standard DAC and UN evaluation criteria of design/relevance, effectiveness, efficiency, impact and sustainability as well as a sixth criterion, encompassing three standard cross-cutting questions: i) gender, ii) environment and iii) best practice in aid design and management, including the value added of UNCDF's approach and performance, as further defined in the Consultant's Inception Report.

In order to come up with the DAC – appropriate findings on overall project performance, the consultants should use the standardized results framework developed in the inception phase as a base.

The sources of information for the country project assessment will include:

- review of key project documents at the design stage (Sector Assessment reports, concept papers, official Project Documents – *Pro Docs*)
- review of key documents from project implementation (local Investment Committee minutes ; Back to Office reports; monitoring reports)
- recent external Mid-Term or Final Evaluations.

UNCDF's sector development programmes have recently been evaluated in the following countries:

- Sierra Leone [2010]⁷;
- Building Inclusive Financial Sectors in Africa 2009⁸ Madagascar [2009]⁹;
- Liberia [2009]¹⁰;
- Togo [2009]¹¹
- Pacific Islands [PFIP] 2010
- Timor Leste 2010
- Malawi [2010]

In addition, evaluations of sector development programmes are in process for the following countries in 2011: Senegal, Burkina Faso, and Nepal. To the extent that these evaluations are completed by the time of the evaluation, they will be included in the review.

- the results of a questionnaire that should be developed by the consultants in the inception phase, the objective of which will be to ‘fill in the gaps’ of information needed to come up with a performance assessment at both the FSP and overall project and which will not be provided by existing sources of documentation.

As with the FSP assessment, the team should present their analysis of country project and thematic project performance according to a standardized reporting template. This will have the 5 DAC evaluation criteria at its core and will facilitate the overall assessment in the final report. The Advisory Committee will provide a first draft of the template and invite the evaluators to adapt/validate as necessary.

For both FSP and country project/thematic project assessment, the review team will have available the data necessary to compute a value for these indicators and provide a grade to each investee and project. Grades should be based on objective quantitative indicators to the maximum extent possible but will also call for judgments based on professional experience.

FSPs and Projects could be graded as follows:

5 = Exceptionally effective.

4 = Very good. Worth extending or replicating, if the opportunity arose.

3 = Good. Reasonable performance for the funds invested.

2 = Weak but minimally “acceptable”. The rater wouldn’t support such a project, but wouldn’t veto it either if a Country Office really wanted to do it.

1= Unacceptable. Unlikely to produce a decent development return on the funds invested. The rater would veto such a project.

0= Exceptionally bad. Probably does serious damage, or represents extreme bad practice.

⁷ http://www.unCDF.org/english/microfinance/uploads/evaluations/SLE_DSPFS_FINAL_0909_EN.pdf

⁸ http://www.unCDF.org/english/microfinance/uploads/evaluations/BIFSA_FINAL_SYNTHESIS_05JAN10.pdf

⁹ http://www.unCDF.org/francais/microfinance/uploads/evaluations/MDG_PASNMF_MIDTERM_0810_FR.pdf

¹⁰ http://www.unCDF.org/english/microfinance/uploads/evaluations/LIB_LIFS_FINAL_0109_EN.pdf

¹¹ http://www.unCDF.org/francais/microfinance/uploads/evaluations/TGO_PASNAM_FINAL_0810_FR.pdf

c. Country Field visits/Country Visit phase

The objective of the country visits will be to validate the findings of the FSP and country project performance at the desk review stage. It will also be used to conduct the necessary stakeholder visits for the Micro Lead evaluation which will be carried out by the same team.

The consultants will review both Micro Lead FSPs and those FSPs supported via sector development programmes during the country visits. The rationale is to effect cost-savings [through reduced travel costs] and ensure a broader understanding of how individual FSP 'portfolio investments' are situated within UNCDF programming [sector programmes, Micro Lead] thus enriching the portfolio review and Micro Lead evaluation. A separate set of terms of reference and questions to address, where unique to the global Micro Lead programme, will be shared with the consultants to include in their country visits and evaluation of the MicroLead programme.

These field visits will be crucial to further analyze strategic relevance and impact. By providing a more thorough market analysis, onsite visits will help refine the analysis of project strategic relevance, efficiency, impact and sustainability. Additional checks will include:

- More details on retail institutions performance: assessment of management and staff quality; assessment of product range relevance (products and services offered and terms and conditions, etc.); strategy to reach/maintain sustainability; details on target clientele (poverty levels); client protection¹²; details on management systems.
- Feedback from local stakeholders on UNCDF additionality at the sectoral level: meeting with end clients, investees' management, investees' competitors, funders, central banks, commercial banks, inclusive finance associations, other funders, training centers, etc. Additionality needs to be analyzed through various dimensions: how additional was the project to market supply? What kind of distortions, if any, did the project bring to the inclusive finance sector? What impact is the UNCDF intervention likely to have at the different levels of the inclusive sector in the country being visited.
- Meetings with local UNCDF Country Technical Advisor, to cover their role in project management and implementation, their knowledge of the country and regional inclusive finance landscape.
- Due to the cost and time required to carry out randomized control trials [RCTs], eventual impact on the welfare of microfinance clients will not be assessed at client level. Client impact data

¹² UNCDF incorporated the requirement that FSPs endorse the client protection principles in its standard FSP agreement in October 2011. Thus, most FSP agreements were signed prior to this date, and the endorsement process is only beginning through engagement with FSP networks.

from third party sources will be reviewed, if available, but the main source of data for impact assessment will be the type and volume of microfinance delivered to clients as a result of UNCDF-supported interventions.

UNCDF will propose a list of countries to be visited that should be agreed by the consultants on the basis of the representativeness of the sample and the content of the results framework.

Countries should be selected to provide a fair representation of UNCDF total portfolio and strategy. Representation will be assessed along the following lines:

- by zone of intervention: rural/urban, higher/lower risk countries;
- by type of retail level institution: NGO-MFI, credit unions, Non-Bank Financial Institution, Commercial Banks, etc. ;
- Greenfields, existing FSPs, and/or combination of both;
- Operational preferably at least two [2] years [review of younger projects/FSPs will focus on design issues];
- Size: the countries selected should in total represent a significant percentage of the total committed amount;
- Geographically representative, taking into account the Sub-Saharan Africa focus of UNCDF;
- The sample should also fairly represent the range of grades present in the desk review portfolio grading;
- The sample would aim to exclude repeat visits to countries recently covered by independent mid-term or final evaluations, as this documentation would be available to the consultants.

This list should include a significant number of countries where the Micro Lead programme is present in order to ensure sufficient coverage for the Micro Lead evaluation. The Advisory Committee will approve the final list.

In order to ensure conformity of approach, country visits should be carried out on the basis of semi-structured interview templates for each of the main groups of stakeholder; these templates should be discussed with the Advisory Committee beforehand.

An additional focus of the field visits should be an assessment of the quality of UNCDF's performance monitoring system by identifying differences between data collected on-site and data reported in this system.

d. **Analysis and Recommendations of All Evaluation Components (Synthesis Phase)**

The results from the desk research and field visits will be collected and synthesized to provide an overall assessment against the programme logic agreed in the first phase of this evaluation. To aid in this exercise, a series of preliminary questions for each of the evaluation criteria is included in this section. These questions should be considered as indicative of UNCDF's main concerns and questions. However, the evaluators should feel free to suggest additional questions based on the content of the finalized programme logic and in view of the broader objective of the exercise which is to complete a thorough external review of the quality of UNCDF's project portfolio in line with the standard UN/DAC evaluation criteria.

Once these questions have been finalized, the evaluators should ensure that the data gathering exercise for the desk phase and the country phase is as aligned as possible, so ensuring easy synthesis and analysis during the synthesis phase.

These questions are as follows:

1. **Strategic relevance: Are UNCDF's investments in microfinance strategically relevant, given its mandate, instruments and comparative advantage?**

- Are programmes rooted in and effectively integrated into national development strategies (e.g poverty reduction strategies) and UN planning and results frameworks (CCA, UNDAF) at the country levels

- To what extent are programmes well aligned with the strategies of other donors and other partners active in the inclusive finance sector. How clearly articulated in project documents is the additionality or value added that UNCDF brings? What level of coordination exists between UNCDF, its partners and other funders? Are projects aligned with the strategies of the organizations/FSPs supported?

- How appropriate is the range and focus of UNCDF products and services compared to the needs of inclusive finance sectors in the target countries? Specifically, how relevant is it in terms of product range [grant, loan], and type of partners (Greenfield, existing MFI, ...)? To what extent is UNCDF fulfilling its mandate to 'take risks' – i.e. UNCDF's readiness to invest in young and promising FSPs, including in very challenging contexts, including post-conflict contexts?

- At project design stage, has UNCDF made good choices about where to support 'greenfield' FSPs, technical assistance to existing FSPs, and/or when to combine both? More specifically, has UNCDF supported greenfields in countries where existing local FSPs are unlikely to cover the market in a reasonable period of time?

- How well aligned are individual programme objectives to UNCDF's broader strategy in the area of inclusive finance?

- Are institutional and implementation arrangements appropriately designed for the successful achievement of programme objectives. For example, is the amount and duration of technical assistance provided sufficient to meet the project objectives.

- Have programme objectives remained valid and relevant during implementation?

2. Effectiveness: Are UNCDF's investments effective in achieving their intended results?

- Is UNCDF achieving its specific objectives and expected results as set out in its sector development approach (including micro-, meso- and macro- levels) ?

- Have UNCDF's investments been effective in supporting significant changes in systems, processes and behaviour in its counterpart organisations?

- What are the decisive reasons [internal and external factors]¹³ as to why objectives are not being achieved?

- How appropriate is the influence of the Investment Committees on the selection of FSPs? Do the FSPs in the countries where UNCDF's funding decisions are taken in conjunction with other funders, or governments role in the Investment Committee [voting, non-voting] differ significantly from FSPs in countries where UNCDF and UNDP are the sole funders? If so, what are the key differences? [Desk Review]

- What added value was created by UNCDF investment that could not have been achieved independently? Do the performance based agreements between UNCDF and the FSPs ensure additionality from UNCDF funding? More specifically, for larger FSPs, does UNCDF funding catalyze them into new markets or products that they might have not done without UNCDF funding?

3. Efficiency: Are UNCDF's investments in microfinance efficient in terms of resources and time allocated?

- Are the outputs delivered for the objectives to be achieved commensurate with the cost of input, i.e. are the interventions cost-effective?

¹³ The study will review whether specific internal and external factors can explain the observed results. External factors encompass those that are outside the reach of UNCDF. Internal factors include those that UNCDF did (or did not) implement, that significantly influenced the results. These may include the quality of UNCDF's inputs and project management which can be assessed through: the intervention's compliance with operational guidelines at all stages of the project cycle; the information collected on standardized performance indicators and other standardized indicators) and the way it is used; the systematic supervision of projects by UNCDF's investment officers up to their end, and the implied adjustments in the design of the project; the adaptation of technical support to various levels of partners' development, etc.

- Are the outputs and results being achieved within a reasonable time period? If delays, are these related to internal factors that UNCDF could address vs. external factors?
- How well is UNCDF perceived in terms of managing the funds it disburses? Are management procedures deemed to be too heavy/just right/too light?
- How appropriate is the performance-based agreement system for supporting FSP development? How relevant are the conditions set out in the agreements to achieving the stated objectives. Are they too loose? Too strict? Do they really bring value added to the project?
- Does UNCDF adequately enforce performance based agreements for FSPs that are missing performance targets?
- How comprehensively does UNCDF follow audit reports on FSP performance? Or does follow up occur just when there is a potential high risk of loss of funds?
- Does UNCDF adequately follow up on funded FSPs? Monitor their performance and ensure positive trends?

4. Impact: What is the likely impact of UNCDF's investments on Financial Service Providers [FSPs] and on the broader inclusive sectors in which UNCDF is active?

- What likely impacts¹⁴ [Financial Service Providers [FSPs], financial sector] have been achieved through UNCDF's investments in financial service providers and the broader financial sector? What intended and unintended positive and negative direct results have occurred from individual investments and from UNCDF's country or regional strategy more generally?
- Is UNCDF funding to FSPs helping to achieve growth in underserved markets/regions?
- Is 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 loans outstanding] divided by denominator [amount of UNCDF funding]?- How can UNCDF improve its impact? What are the internal factors that UNCDF could adjust [vs. external factors] to improve impact?

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

- Is there a positive trend towards sustainability of the results of the sector development approach? How will the results continue beyond the end of assistance? Is there a clear exit strategy for UNCDF support?

¹⁴ Assessed at the retail institutional and programme level rather than at the client level.

- What percent of the FSPs in the UNCDF portfolio are on track and likely to develop into sustainable institutions?
- In the case of greenfields or young retail institutions, do they show good prospects to reach self-sufficiency?
- How can UNCDF projects further support the underlying sustainability of investees?

6. What is the performance of UNCDF 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 (alignment, harmonisation and managing for development results)

With regards to gender mainstreaming, two elements should be explored in particular:

- Country level: UNCDF has promoted increased access of women to financial services by requiring in the PBAs that at least 50% of clients of grantees are women. In what other ways, if any, has the program had positively or negatively affected women's economic empowerment or gender mainstreaming?
- Overall: Based on UNCDF's overall strategy and instruments, how can UNCDF 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?

6. Organizing the Evaluation: Team Structure, Budget, Deliverables and Timeline:

Briefing and Facilitated Strategy Discussions with the Advisory Committee

The team of consultants will at key points in the process provide briefings to the Advisory committee highlighting their findings and recommendations for UNCDF. The consultant team will also facilitate a discussion on the finding and implications for UNCDF's strategy and changes in operations. The timing of these meetings will be agreed when the team of consultants presents its evaluation methodology.

Review 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. The Team Leader shall be primarily responsible for the portfolio review assignment, the second consultant shall be primarily responsible for the Micro Lead evaluation, with the overall Team Leader taking final responsibility for both reports, and the second consultant as the Technical Lead and responsible for the Micro Lead 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 Micro Lead evaluation.
- Leading the evaluation team in planning, conducting and reporting on the Portfolio Review.
- Ensuring the use of best practice evaluation methodologies in conducting the Portfolio Review.
- Quality control for both the Portfolio Review and MicroLead evaluation reports

The second consultant's responsibilities will include:

- taking technical responsibility for the planning, conduct and writing up of the MicroLead evaluation
- Ensuring the use of best practice evaluation methodologies in conducting the MicroLead evaluation
- contributing to the conduct 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.

It is estimated that the number of days needed to complete the assignment will total 113 days over the period of 21 September 2011 to 1 May 2012 (with 21 March 2012 the deadline for the final MicroLead Mid-Term Evaluation report), with additional time [up to 14 days] within this period assigned as appropriate for each role. A detailed break-down of the time schedule and task division for each consultant will be incorporated in the Inception Report.

Budget:

This contract will be based on the consultant's **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.

Since the countries to be visited are not yet determined but will be decided by the advisory committee at a later date, UNCDF will pay separately travel expenses [economy airfare, visas, terminal expenses and per diems] based on standard UN rates based on actual travel.

Deliverables

The deliverables from the Portfolio Review and MicroLead Evaluation, all in English, include:

- A short inception report (maximum 25 pages), summarizing the approach and methodology the evaluators will adopt in conducting the portfolio review and MicroLead evaluation, and incorporating a standard results framework for UNCDF interventions and a standardized framework

for assessing FSP performance and broader project performance for both the desk phases and the in-country phases. The inception report should also include the scheduled workplan, including tentative travel dates, countries to be visited, and overall level of effort [work days]. The inception report should be delivered by 30th October 2011. Once approved by the Evaluation Unit of UNCDF, this workplan and level of effort shall be the basis for payments [salary, travel reimbursement] from UNCDF.

The deliverables specific to the Portfolio Review, all in English, include:

- Desk review paper, highlighting key draft findings, and including clear scores for both FSPs and the country evaluations
- Debriefing presentation with main highlights of desk review for steering committee meeting
- Country Analysis reports with results from the projects visited during field visits
- Final portfolio review synthesis report with:
 - o Overall findings for the global portfolio in terms of Strategic relevance, Effectiveness, Efficiency, Impact, Sustainability;
 - o Main lessons that can be drawn from the analysis of the inclusive finance portfolio, addressing among others the questions of Section 2. *General Objectives* of the detailed ToR;
 - o Recommendations for improving UNCDF strategy of support to the inclusive finance sector, to be incorporated in revisions of UNCDF financial sector strategy and operations.
 - o Executive Summary
- Power Point Presentation: A summary of key evaluation findings and recommendations prepared towards the end of the evaluation and submitted to the UNCDF Evaluation Unit before the Advisory committee

The deliverables specific to the MicroLead global mid-term evaluation, are further defined in the separate ToR on this evaluation for which the second consultant is technical lead. For reference, these deliverables are required all in English and include a draft and final mid-term evaluation, an executive summary and power point presentation highlighting main findings and recommendations.

The Final Evaluation Report and Evaluation Summary will be submitted by the team leader to the UNCDF Evaluation Adviser, who will disseminate it to all key stakeholders. The Evaluation Team's contractual obligations are complete once the UNCDF Evaluation Adviser has reviewed and approved the Final Evaluation Report[s] for quality and completeness as per the TOR.

Timeline Key Dates:

The entire Portfolio Review and MicroLead evaluation should start by 21 September 2011 and final reports [Portfolio Review, MicroLead evaluation] completed by 1 May 2012. Key milestones include:

Commence work:	28 September 2011
Inception report:	30 October 2011
The country visits should be performed between:	01 November 2011 – 15 January 2012
Draft for discussion of the MicroLead evaluation finalized:	31 January r 2012
Final MicroLead Evaluation:	21 March 2012
Final draft of the Portfolio Review completed:	12 April 2012
Final portfolio review report complete:	1 May 2012