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**NOTE TO FIRMS SUBMITTING A PROPOSAL TO CONDUCT
THE INDEPENDENT IMPACT ASSESSMENT**

**PLEASE NOTE THAT THESE TERMS OF REFERENCE ARE STRICTLY FOR THE
PURPOSES OF SOLICITING PROPOSALS, AND MAY BE SUBJECT TO CHANGES**

1. UNCDF seeks external, independent firms/consultants to conduct an Independent Impact Assessment (IIA) of UNCDF, to assess the overall effectiveness, efficiency, relevance and sustainability of the organization as a whole, and with focus on its two areas of operations - Local Governance/Decentralization and Microfinance.
2. It is envisaged that three senior and reputed experts - a team leader for the overall independent impact assessment, an expert on local governance/decentralization and an expert in microfinance, both with expertise in performance and impact assessment within their respective fields, will be required for this exercise. In the interests of cost-effectiveness, standardization of methodology and comparability of results, firms are encouraged to submit proposals and consultants for all three tasks. However, while there is preference for a single firm to conduct the assessment, individuals or firms may also submit proposals/CVs for any one of the three areas of expertise required. Selection of the experts will mainly be on the basis of their individual strengths and the proposed methodology/ies.
3. Firms/individuals are requested to clearly indicate the area of expertise included in their proposal on the cover page of the proposal, as below:

[NAME OF PROPOSING FIRM]

RFP: Services for the Independent Impact Assessment of UNCDF
[Team Leader: Organizational Performance Assessment expert]
[Team member: Local Governance/Decentralization expert]
[Team member: Microfinance expert]

DRAFT

**Terms of Reference for the
Independent Impact Assessment of
the
United Nations Capital Development
Fund (UNCDF)**

1. Background

1.1. UNCDF

1. The United Nations Capital Development Fund (hereinafter referred to as the Fund or UNCDF interchangeably), was established by the General Assembly in 1966, and given a universal mandate by the UN General Assembly Resolution 2186 (XXI) as an autonomous organization within the United Nations system for the purpose of supplementing the sources of capital assistance to developing countries by means of small grants and concessional loans. The assistance was initially aimed at accelerating economic growth in those countries and was "oriented towards the diversification of their economies, with due regard to the need for industrial development as a basis for economic and social progress." In 1973, another UN General Assembly resolution (3122-XXVIII) was adopted requesting UNCDF to concentrate its investments, first and foremost, in the Least Developed Countries (LDCs) among the developing countries.

1.2 1995 shift in policy

2. In the early 90s, in the general context of declining Overseas Development Aid (ODA) and faced with resource attrition, the Fund made a shift in interpreting its mandate to combat rural poverty. Building in part on its experience over the past 25 years and in part on the renewed interest in decentralization policies, in grass-roots interventions and in the way local governance and participatory approaches affect development, the Fund proposed to make local empowerment a central objective of its work. This new approach was set out in a policy document issued in 1995 entitled "Poverty Reduction, Participation and Local Governance: The Role for UNCDF." While continuing to provide investment resources for economic and social infrastructure, the Fund's capital assistance was slotted into the four main areas of (a) "blueprint" infrastructure projects, (b) micro-credit and/or loan guarantee schemes; c) local development funds; and (d) participatory eco-development programme.

3. The Fund's donors responded positively to these initiatives and agreed to provide stable funding until 1998, after which the Fund would have to demonstrate that the 1995 policy shift had been made, and that new bearings had been firmly set institutionally and operationally. Accordingly, they accepted that a process-oriented external evaluation should be conducted and reported to the Executive Board in September 1999 and that another evaluation would be organized at a later stage to assess impact.

1.3 The 1996 capacity assessment and the 1998 internal reviews

4. In preparation for the 1999 external evaluation, UNCDF commissioned a capacity assessment in 1996 as well as internal reviews of its core product lines in 1998. The 1996 "Capacity Assessment of UNCDF" concluded that for UNCDF to live up to expectations of the 1995 policy paper and to have greater impact given its limited financial and human resources, the Fund needed to concentrate its efforts on a smaller number of countries. As a result, UNCDF continues today to try to address the needs of all LDCs but in a more concentrated manner due to limitation of funds.

1.4 The 1999 external evaluation

5. In 1999, the external evaluation of the Fund concluded that UNCDF had enhanced its distinctive identity by developing competence in the fields of local governance (decentralized public investment), and microfinance. The capacity of the institution had been improved and the preliminary judgment was that the new approaches have had a positive effect on field operations and that UNCDF's experience has the potential to be used as a model for change by other UN agencies. The evaluation further concluded that the evidence about the effect of new approaches and processes was mixed, that the quality of project preparation needed to be improved and that the challenge was to expand the proportion of good operations in the portfolio. In short, UNCDF needed to adopt clear goals of excellence in both project design and project results, and to report performance to its donors.

6. A total of fourteen recommendations were made by the external evaluation. The evaluation also recommended that:

"In view of the conclusion that UNCDF has enhanced its distinctive identity and developed competence in line with the 1995 policy, donors should continue to support UNCDF. Future funding should be linked to performance targets geared to project design quality, and results performance including replication, with arrangements for objective verification and annual performance reporting. The impact of UNCDF's new-policy projects should be the subject of an evaluation study within five years".

7. In its decision 99/22, the Executive Board welcomed the work undertaken by the Fund since 1995 in policy review and development as well as in strengthening the focus of its programme activities and strongly endorsed its efforts to establish innovative approaches and focus on two areas of intervention: local governance and microfinance. The Executive Board further welcomed the positive assessment of UNCDF work made by the 1999 external evaluation. In the same decision, the Executive Board encouraged UNCDF to take necessary action to implement those 11 of the 14 recommendations of the external evaluation that required UNCDF action and to report on its performance in the context of a Results-Oriented Annual Report (ROAR) in 2000. Finally, the Executive Board requested the Administrator of UNDP "to carry out an independent evaluation of the impact of UNCDF programmes and projects and to report to the Board in 2003" (DP/99/22)¹.

8. The decision to conduct an independent impact assessment (IIA) of UNCDF in 2003 is in response to the above Executive Board request to the UNDP Administrator.

2. Objective and Scope of the IIA

¹ During the Executive Board 2001 annual session, UNCDF requested an extension of this deadline. The Executive Board consequently "agreed to postpone consideration of the evaluation of the impact of the Fund's programmes and projects requested in its decision 99/22 to the year 2004" (DP/2002/2 Item 10)

9. In serving the need for organizational accountability, both to the Executive Board and to stakeholders for results, as well as in pursuit of organizational learning, the overall objectives of the IIA are to assess:

- (i) whether UNCDF is performing as an effective, efficient, and sustainable organization that has remained relevant² in carrying out its given mandate to reduce poverty in the LDCs, and has responded appropriately to implement the 1995 policy shift and subsequent recommendations of the independent external evaluation of UNCDF in 1999³, and which is geared to managing for results in its local governance and microfinance programmes; and
- (ii) whether the organization's local governance and microfinance programmes are having the intended impact in terms of their effect on individuals, households, communities, institutions, policy and replication.

10. The IIA is to be conducted in 2 parts. **Programme Impact Assessments (PIAs)** are currently underway, taking selected programmes in 8 countries as "case studies" to assess the outcomes and indications of impact of UNCDF's local governance and microfinance programme interventions. The PIAs are being conducted by two independent firms in eight countries; PIAs are being conducted for the UNCDF supported local governance programmes in Cambodia, Mali, Mozambique, and Uganda, and for UNCDF supported microfinance investments in Nigeria, Kenya, Malawi and Haiti. The findings from the PIAs will feed into the IIA.

11. Following (or concurrent with) the PIAs, the **Independent Impact Assessment (IIA)** will be conducted, which will assess UNCDF's organizational effectiveness, efficiency, relevance and sustainability in formulating and managing its local governance and microfinance programmes at both HQ and in the field, and which will incorporate the findings of the PIAs regarding programme impact. The findings of the IIA will be submitted to the Executive Board in March 2004.

12. The present TOR is for the IIA.

2.1 Scope of the IIA

13. To carry out its mandate of poverty reduction in the LDCs, UNCDF seeks to be a center of excellence and a risk-taking, piloting organization in the areas of local governance and microfinance. The IIA will assess the effectiveness,

² The definition of these terms are as per the OECD DAC definitions; i.e. -

Effectiveness is defined as – The extent to which the development intervention's objectives were achieved, taking into account their relative importance.

Efficiency is defined as – A measure of how economically resources/inputs (funds, expertise, time, etc.) are converted into results.

(Note: An activity is economical when the costs of the scarce resources used approximate the minimum needed to achieve planned objectives.)

Relevance - The extent to which the objectives of a development intervention are consistent with beneficiaries' requirements, country needs, global priorities and partners' and donors' policies.

Sustainability - The continuation of benefits from a development intervention after major development assistance has been completed, the probability of continued long-term benefits and the resilience to risk of the net benefit flows over time.

³ ITAD (1999) Evaluation of UNCDF Synthesis Report, p65

efficiency, relevance and sustainability of the corporate functions, systems, capacities, products and services (including technical advisory services), tools, processes, operational guidelines, and financial inputs, etc. at both the HQ and field level, in pursuing its mandate. A primary task will be an assessment of the overall management and quality of the total UNCDF portfolio of projects and programmes, through a portfolio review based on information available at the HQ level. In addition, field visits will be conducted as required to verify the findings. There will also be available data and findings of the independent project evaluations undertaken over the years, as well as the findings of the PIAs for assessing the impact of UNCDF at the country level. To understand the scope of the PIAs, the evaluators should review the TORs for the PIAs of the local governance and the microfinance programmes (Annexes 1 and 2)

14. In assessing UNCDF's overall organizational performance in the four areas of effectiveness (including impact), efficiency, sustainability, and relevance, the results of the 1999 external evaluation will be used, where relevant, as a baseline against which comparisons can be made. As mentioned earlier (in para 6), the external evaluation had made 14 recommendations on the basis of its findings, of which 11 were addressed to UNCDF (Annex 3). In the context of this assessment, the evaluators should assess, *inter alia*, the continued relevance and appropriateness of these recommendations, as well as UNCDF's follow up to them. The IIA will focus on the 1999-2003 period; i.e. the focus of the IIA will be on products and services developed since 1999, though the IIA team will also assess the manner in which UNCDF has been handling its "legacy" products (programmes and projects formulated prior to 1999 that are in implementation though not falling into UNCDF's two focus areas).

15. UNCDF has a number of functional units – the Directorate, the Local Governance Unit, the Special Unit for Microfinance, the Evaluation Unit, and the Administrative and Finance units – and the Fund operates at different levels – HQ, Unit, Country and project. As such, the different units and levels will have to be assessed separately in addition to an assessment of how the organization functions and performs as a whole..

2.2. Assessment Domain 1: Organizational Effectiveness and Efficiency:

16. The following aspects of the organization will each be assessed in terms of effectiveness and efficiency in the context of organizational goals, except in the case of the assessment of item a – Mission articulation and orientation, for which it is only relevant to assess effectiveness.

- a. Mission (Articulation and Orientation)**
- b. Organization Structure**
- c. Management and Operations**
 - i. Corporate Management**
 - ii. Programme/Project Cycle management and operations**
 - iii. Partnerships**
 - iv. Technical Advisory Services**
 - v. Innovation**
 - vi. Communications**
 - vii. Resource Management**

- **Financial**
- **Human**
- **Knowledge**

d. Results Attained (Outputs, Outcome and Impact)

2.2.a. Mission (Articulation and Orientation)

17. *Are the organizational stakeholders united behind explicitly stated goals and are they pursuing clearly articulated strategies to achieve these goals?* The evaluators should assess, at corporate, unit, country and project levels, the clarity of the corporate mission, staff awareness and understanding of the mission, buy-in by the organization’s stakeholders (i.e. Executive Board members, management, staff, primary clients and partners), the articulation of the mission as corporate policy (including specifically corporate policy on pro-poor participation, gender, partnership, national ownership, sustainability, etc.), clarity amongst staff as to who are the clients, and their client-orientation. In addition, the evaluators should assess UNCDF’s response to Recommendation #1 of the external evaluation⁴.

2.2.b. Organization Structure

18. *Is the organization’s structure; i.e. the way management and staff are organized, and the chain of command, best configured to most effectively and efficiently enable the organization to achieve its goals and to respond to the needs of its clients, and conduct field operations that are innovative and pilot in nature?* The corporate and unit-level functional analyses that have been conducted in the past two years are useful reference documents for this assessment. In this context, the evaluators should also assess UNCDF’s response to Recommendation 4 and 6 of the 1999 external evaluation⁵.

2.2.c. Management and Operations

i. Corporate Management

▪ Management and Oversight (by UNCDF management)

19. *Does the corporate and unit management of the organization provide effective leadership to and maintain effective and efficient management and oversight of global operations, ensuring the attainment of desired results while complying with corporate policies?* The evaluators should assess, *inter alia*, the effectiveness and efficiency of UNCDF management (corporate and unit) in providing intellectual and practical leadership to the organization, in policy development, strategic planning, results-based management and ensuring accountability for use of its funds.

▪ Oversight (by Executive Board)

20. *Is the Executive Board effective and efficient in its role?* The role of the Executive Board is to provide inter-governmental support to, and

⁴ Recommendation 1 states that “UNCDF should move rapidly towards a short, clear, policy statement of goals and then concentrate on dissemination of that policy and the strategy to implement it. The statement should resolve outstanding issues about policy impact, replication, and innovation and have clear objectives for quality of project, efficiency and effectiveness.”

⁵ Recommendation 4 states that “UNCDF should adopt an organizational structure to bring skills and authority required for project identification, formulation and supervision together” and Recommendation 6 states that “UNCDF should continue to increase the devolution of financial and implementation responsibility to country offices.”

supervision of, the activities of UNCDF and to ensure that it is responsive to the needs of programme countries.

- **Relationship with Executive Board, the Donors and the UN System**

21. *Is UNCDF responsive to the Executive Board's decisions and to its donors?* In particular, the evaluators should assess the follow-through by UNCDF and the Executive Board on the recommendations of the 1999 external evaluation.

22. *How is UNCDF integrated within the structure of the overall UN system?* Assess the effectiveness and efficiency with which UNCDF is integrated into and supports the system as a whole and the UNDP Group in particular, including its responsiveness to the United Nations Secretary-General's call for harmonization of United Nations activities and other relevant General Assembly mandates

- **Partnerships at HQ level:**

23. *At the HQ level, what is the relevance and strengths or weaknesses of current partnerships established between UNCDF and UNDP, multilateral and bilateral donors, research and academic institutions, as well as other UN agencies and the UN system at large?* In this respect, the evaluators should assess whether or not UNCDF has strengthened its relationship with UNDP, as per Recommendation 5⁶ of the 1999 external evaluation and what is the result of this strengthened relationship? Where appropriate, has UNCDF been successful in seeking new opportunities for joint programming and strengthened relationships with other members of the UNDP Group, as well as other multilateral or bilateral donors?

- ii. **Project Cycle Management**

24. *Are the Operational Units (Local Governance Unit and the Special Unit for Microfinance), and the Evaluation Unit, effective and efficient in their management and implementation of UNCDF projects?* The evaluators should assess the effectiveness and efficiency of each stage of the project cycle (project identification and formulation, planning, implementation, monitoring and evaluation) and review the procedures, practices, processes and tools developed and used at Headquarters, Country Office and the project levels to determine if they are in line with best practices and whether they are effectively and efficiently applied. This should include attention to the effective application of corporate policies on gender, pro-poor participation, partnership, ownership, etc., as well as the cost-effectiveness and timeliness of the various processes. The assessment should address, *inter alia*, UNCDF's follow-up to Recommendation #2 of the 1999 external evaluation⁷. The evaluators should also assess the effects of the implementation of the 1999 external evaluation recommendations on improving the overall project cycle

⁶ Recommendation 5 states that "UNCDF should continue to seek the closest possible relationship with UNDP at Headquarters and country level, and notably with the regional bureaux responsible for UNCDF concentration countries"

⁷ Recommendation 2 states that "UNCDF will develop a strategy specifying the means by which it will achieve impact on national government policy and encourage replication by other multi-lateral and bilateral donors."

management and whether external factors beyond the scope of UNCDF influence have hindered the effectiveness and efficiency of the project cycle management.

- **Project Identification, Formulation and Approval**

25. *Are the project identification, formulation and approval processes effective and efficient, and are the approved projects relevant and designed well?* Quality of guidelines and processes, as well as time and cost-effectiveness of these processes, and the participation of relevant stakeholders in these processes, should be considered. This should include an assessment of the organization's follow-up to Recommendation #9 of the 1999 external evaluation⁸.

- **Project Planning and Implementation**

26. *Is project planning and implementation done in an effective and efficient manner?* This involves assessment of the planning and implementation tools and processes at HQ, Country Office and project level, which should include, *inter alia*, an assessment of the relevance, timeliness and cost-effectiveness of the processes and the quality of technical, programme management and administrative support provided by the HQ, as well as the quality of technical support contracted by UNCDF to support its programmes and projects.

- **Monitoring (Results-Based Management)**

27. *Do the monitoring systems in place support effective and efficient results-based management?* This should include an assessment of the quality of the established corporate results-based reporting systems and performance indicators (such as those in the UNCDF Strategic Results Framework, the Corporate and Unit Management plans, the individual Results Competencies Assessment, as well as programme-level M&E and MIS systems), and whether or not UNCDF clearly defines the results it wants to achieve, and the adequacy, quality and timeliness of its monitoring and reporting systems. It is important to also assess the extent to which UNCDF utilizes its monitoring systems to manage its projects and to make adjustments as necessary; i.e. the link between these monitoring systems and policy and management decision-making. Specifically, the assessment should address UNCDF's follow-up to Recommendations 7 and 8 of the 1999 external evaluation⁹.

- **Project Evaluation**

⁸ Recommendation 9 states that "UNCDF should introduce procedures to ensure that all formulations meet best practice international standards for quality of analysis and conciseness. A new set of short, clear guidelines for formulators for each project type will be required. Consideration should be given to the establishment of an external Project Appraisal Panel of experiences country and development specialists, and commissioning views from selected individuals on the Panel on new formulations, prior to UNCDF approval."

⁹ Recommendation 7 states that that "UNCDF should take immediate action to create a database of its entire portfolio of open projects. The design criterion of the Management Information System (MIS) should be "minimum essential" not "maximum desirable", and Recommendation 8 states that "UNCDF should monitor and publish annually an analysis of direct project expenditures and of the fixed and variable costs of project formulation, project support, supervision, evaluation, etc., including missions financed under the project budgets."

28. *Are evaluations of UNCDF programmes and projects carried out in an effective and efficient manner to support accountability and learning within, and beyond, the organization?* This includes an assessment of the relevance and effectiveness of the corporate evaluation policy in achieving the objectives of the evaluation function, compliance, quality and utility of the evaluations, as well as the extent to which UNCDF utilizes evaluation findings to improve its programmes/projects; i.e. the link between the evaluation function and policy development and decision-making. Specifically, the assessment should address UNCDF's follow-up to Recommendation #10 of the 1999 external evaluation¹⁰.

iii. Partnerships at Country level

29. *What is the relevance, strengths and weaknesses of current partnerships established between UNCDF and central governments, local governments, the private sector, NGOs, the civil society, etc. at the country level? Has UNCDF engaged in effective partnerships with other UN agencies and donors, through joint programmes, cost-sharing arrangements etc at the country level that have promoted replication of its programmes and increased resources and attention given to local governance and microfinance?* The assessment should, *inter alia*, establish whether or not UNCDF, in its operations, has facilitated national ownership¹¹, enhanced sustainability and replication of its programmes at the national and local levels, through enhanced partnerships with various levels of Government, NGOs, the civil society and community-based organizations, and whether it has promoted replication and increased resources and attention given to local governance and microfinance through partnerships with other UN agencies and donors.

iv. Technical Advisory Services (TAS)

30. *What is the coverage and quality of the technical advisory services provided, and do they contribute to the advancement of UNCDF's mission; i.e. do the services and advice provided have a positive influence on UNCDF programmes and programmes funded by other partners? What are the opportunity costs to UNCDF of providing these services?* The evaluators should assess whether or not UNCDF staff are equipped with the adequate capacities to offer TAS on a competitive basis, and are able to recover costs fully. This should include a review of the staff incentive framework in place for the provision of TAS. The evaluators should attempt to assess the relevance of UNCDF TAS to market needs, whether or not UNCDF has a comparative advantage for the provision of TAS in local governance and microfinance, as well as prospects for TAS development.

v. Innovation

¹⁰ Recommendation 10 states that "The mid-term and final evaluations should continue to be led by independent external specialists."

¹¹ The working definition of Ownership is defined as a process where identification of development goals and formulation of strategies is carried out or led by the country and not the development agencies; and can also be defined as a process where there is broad-based stakeholder participation, with sustained support from political leadership and policy makers (CDF Evaluation, 2002, World Bank).

31. *How does UNCDF pursue new opportunities, resources and innovations to achieve its mission; i.e. what is the corporate strategy with regard to the development of new programmes or products and services, and what are the criteria for assessment?* The evaluators should assess, *inter alia*, the extent to which learning and innovation is driven by demands from programme countries, field staff or the HQ based staff, and assess how strategic UNCDF is in its choice of programming and response to opportunities that arise. This could include an assessment of the percentage of resources committed to new programme development.

vi. Communications

32. *Do the internal and external communications systems support the organization's mission in an effective and efficient manner?* How effective is UNCDF in communicating and advocating its mission, its approaches, and the results it achieves to an external audience for the purpose of promoting its best practices and lessons learned, to support replication as well as resource mobilization? This should include an assessment of the utility and function of the intranet, the external website, and the utility and quality of UNCDF publications and public relations materials.

vii. Resource Management:

33. The effectiveness and efficiency of the corporate financial, human resource and knowledge management systems.

▪ Financial management:

34. *Are the financial planning, budgeting, monitoring and reporting practices and tools in line with best practices and do they provide the organization with financial information in a manner that supports effective corporate and programme management decision-making?* This should include an assessment of the timeliness, accuracy and utility of financial reporting in UNCDF, and the effectiveness, efficiency, quality and sustainability of financial management of the organization.

▪ Human resources (Capacity and Management):

35. *Is the quality and capacity of UNCDF human resources, both at HQ and at the country level, adequate and appropriate for the effective and efficient performance of management, operational and administrative tasks, as well as for the provision of technical advisory services? Is the human resource planning and management system effective and efficient in ensuring the organization is staffed with appropriate, qualified staff? Do incentive and accountability mechanisms for staff reinforce and encourage effective and efficient behaviors in support of organizational goals?* This includes a review of human resource management strategy including the processes for recruitment, management, retention and dismissal of staff, the type and relevance of existing staff positions, the processes for performance review, incentives and staff capacity development. In this context, the evaluators should review the findings of the 1996 Capacity Assessment, the recently conducted corporate and unit level functional analyses, the efforts made by the organization since to

“retool” itself and the results attained through these efforts, with attention to the corporate policy on gender. This should include also an assessment of the impact of the current financial constraints on the staffing capacity of the organization, and how the organization has managed this challenge.

- **Knowledge management:**

36. *How does UNCDF learn lessons from its experience and ensure that these lessons are internalized, made operational and, where relevant, shared with the greater development community?* The evaluators should determine if UNCDF is, in fact, a learning organization; i.e. how effectively are lessons learned in UNCDF, how are they disseminated within and outside the organization, and what knowledge management mechanisms are in place to ensure that knowledge acquired by individual staff members is retained by the organization?

2.2.d. Results Achieved (Outputs, Outcome and Impact)

37. *The ultimate measure of an effective organization is in its ability to attain the desired results. On the basis of existing evaluations, self-assessment reports (project annual workplan reports and project progress reports), and the PIAs conducted, how strong is the overall portfolio of UNCDF programmes and projects in terms of their attainment of results (as framed under the Strategic Results Framework)? Is UNCDF’s portfolio size, distribution and coverage in line with organizational goals, mandate, demand, capacity, resources and results-orientation?* The evaluators should bear in mind that UNCDF is a risk-taking organization. The assessment should also take into account compliance with established corporate policies (including, inter alia, corporate policy on pro-poor participation, gender, partnership, ownership, sustainability, etc).

38. This involves an assessment of the overall effectiveness and efficiency of the achievement of outputs, outcomes and impact. To do this, the evaluators should conduct a total portfolio review, first analyzing the total portfolio in terms of its composition and distribution (including geographic and thematic coverage), and secondly, the overall quality of the portfolio, in terms of project design, implementation and attainment of results.

39. The assessment of attainment of results in terms of outputs will require a comparative review and analysis of the project level Annual Work Plan reports and the corporate level Results-Oriented Annual Reports for the past three years, as well as comparison with project reporting instruments prior to the institutionalization of the AWP (e.g Annual Progress Reports, etc.)

40. The assessment of the attainment of results in terms of outcomes and impact will have to rely largely on the evaluation and technical review reports available, as well as on the findings of the PIA conducted in the selected countries. In the assessment of impact, the evaluators should focus on the four impact areas of the PIAs; i.e. poverty, policy impact and replication, sustainability, and strategic positioning of UNCDF.

- **Portfolio Analysis**¹²

41. The evaluators should analyze, *inter alia*, the composition and distribution of the total UNCDF portfolio of projects and programmes according to criteria such as:

- a. Project type
- b. Project maturity¹³
- c. Geographical location and regional distribution
- d. Year of formulation and re-formulation (when relevant)
- e. Budget size

42. The result of this portfolio analysis should allow for, *inter alia*, comparative analyses between: (i) the “post-1999” projects (microfinance and local governance projects formulated after 1999); (ii) the “legacy” projects (eco-development, blueprint infrastructure projects, etc.), which will allow the evaluators to make a number of preliminary conclusions on issues such as:

- *Does UNCDF current portfolio of projects and programmes reflect the 1995 policy shift?*
- *Does UNCDF have a balanced portfolio of local governance and microfinance projects in terms of maturity and geographic distribution?*
- *Is UNCDF fully compliant with its new policies in the formulation of new projects and programmes after 1999?*
- *How was the phasing out of the “legacy” projects handled and in the instances where there were attempts to redesign “legacy” projects into “new policy” projects, was this successfully done?* The evaluators should assess how the phasing out of non-local governance and microfinance programmes has been handled and the consequences of this focus from the perspectives of programme countries. Specifically, this assessment should address UNCDF’s follow-up to Recommendation #3 of the 1999 external evaluation¹⁴.
- *Given the pace of new project formulation over the last two years, what will be the status of the UNCDF portfolio in the near and medium term if the current trend on resources is not reversed?*

43. In analyzing the portfolio size and distribution (thematic and geographic), the evaluators should consider, through review of available secondary information on the two sectors, the needs of LDCs in relation to UNCDF’s capacity to meet them.

- **Review of Portfolio Quality**

¹² Please refer to the “Analysis of Portfolio section in the “UNCDF 2002 Results Oriented Annual Report” available at - http://www.uncdf.org/english/about_uncdf/corporate_policy_papers/undp_execbrd/UNCDF_ROAR2002-english.pdf

¹³ In the ROAR, UNCDF divides its projects and programmes into three categories: “Just starting (first year of implementation); “Intermediate implementation” (year 2 and 3 of implementation); “Advanced Implementation” (year 4 and 5 of implementation); “Just closed” (last year of implementation).

¹⁴ Recommendation 3 states that “UNCDF should review all projects in its portfolio with a view to closing all old, delayed, over-budget or non-performing projects by an agreed date.”

44. *The main question to be answered through the portfolio review is whether or not UNCDF projects generally achieve their expected results?* In order to answer this question, it will be necessary to sample and rate the performance of individual programmes and projects. Criteria for assessment may include:

- a. Quality of project design
- b. Attainment of Results
- c. Quality of results achieved and their relevance to the context
- d. Number of direct project beneficiaries
- e. Compliance of project objectives and their implementation with the post-1999 corporate policies for microfinance and local governance (including, inter alia, corporate policy on pro-poor participation, gender, partnership, ownership, sustainability, etc)

45. The review will help the evaluators make relevant conclusions on the overall quality of UNCDF portfolio of on-going projects and programmes and allow for an assessment of the proportion of “good performers” versus “poor performers” in the UNCDF portfolio of active projects.

▪ **Impact**

46. As mentioned earlier, four PIAs are being conducted for local governance projects (in Mali, Cambodia, Uganda and Mozambique) and four PIAs are being conducted for microfinance projects (in Kenya, Haiti, Nigeria and Kenya).

47. The main objective of these PIAs is to provide case-studies that may indicate whether the *programme theory* underlying each of the two UNCDF project types is indeed working; that is, whether UNCDF local governance and microfinance projects are indeed having the expected impact in terms of poverty reduction, sustainability, policy impact and replication. The PIAs, in addition, consider how well UNCDF has positioned itself in the context of the sector, country needs, its mandate and goals and comparative advantage (which will feed into the analysis of relevance).

48. The evaluators will synthesize the conclusions and findings of the eight PIAs, as well as the external evaluation reports, and offer conclusions regarding the impact of UNCDF projects and programmes in the following main areas:

- a. Poverty reduction
- b. Policy and replication
- c. Sustainability of results

49. Given the respective specific characteristics of local governance and microfinance projects, the impact of each project type is to be dealt with separately. For each of the proposed impact areas, the main questions to be addressed are proposed below¹⁵.

a. Impact on Poverty

50. ***Local governance*** *Have there been positive changes or indications of impact in people’s lives/communities in the project areas in terms of reduced poverty, due to increased access to relevant and good quality basic social infrastructure*

¹⁵ More details can be found in the PIA detailed TOR.

and public services provided through more effective, pro-poor, participatory and accountable planning and service delivery mechanisms, and to improved natural resource management, that can be credibly linked to local governance interventions?

51. **Microfinance:** *Have there been positive changes in people's lives/communities in terms of poverty reduction and empowerment due to increased access to financial services that results from UNCDF-supported microfinance interventions?*

b. Policy impact and replication

52. **Local governance:** *Have the innovations piloted by UNCDF in fiscal transfer systems, public expenditure management, accountability and monitoring, and in testing new responsibilities for local governments for local development been successfully tested? Have the results produced by pilot interventions exerted a wider influence and leverage on policy and/or have they been replicated, serving to support, consolidate and extend the benefits of local governance interventions? The evaluators should refer to the UNCDF Policy Impact and Replication Strategy paper.*

53. **Microfinance:** *What impact have UNCDF-supported microfinance interventions had on policy and replication, according to the classification adopted in UNCDF's Policy Impact and Replication Strategy?*

c. Sustainability of results

54. **Local governance:** *Are the desirable changes that have resulted from local governance interventions—in respect of poverty reduction; systems, institutional and capacity development; actual infrastructure and services provided; and policy influence and replication— sustainable?*

55. **Microfinance:** *Are MFIs providing services to poor clients on a sustainable basis? What evidence exists to show that UNCDF support of MFIs has made them stronger and sustainable?*

2.3 Assessment Domain 2: Relevance

56. *Are the existing mandate and results produced by UNCDF pertinent to the needs of its clients (i.e. the poor, partners institutions such as local governments and microfinance institutions, national governments and international partners) and to the policies of its donors? How does UNCDF fit within the international development financing architecture? Are UNCDF activities sufficiently significant and are donors and partners satisfied with UNCDF's role in this architecture? What are its comparative advantages and is it strategically positioned to make the best of these? How can UNCDF best (re)position itself to ensure continued relevance?*

57. The evaluators should assess the relevance of UNCDF at the various levels; i.e. the relevance of the mission and the relevance of the organization, its approaches within the two niche areas of local governance and microfinance,

and its activities to achieving its mission. To do this, the evaluators should determine the relevance of the total portfolio of UNCDF to its mission, as well as whether or not UNCDF's current thematic focus on local governance and microfinance, and its geographic focus on LDCs, remain relevant to its recipient countries and its partners, as well as to its main donors. Are UNCDF's comparative advantage and ability to add value and deliver results recognized by its partners and peers? Are UNCDF interventions relevant in terms of current thinking and best practice on effective approaches to achieve the organization's mission?

58. This should include an assessment of the role of UNCDF and its potential contribution to the MDGs and the Brussels Programme of Action for the LDCs, including a macro-level review of the changes in the international development arena and in the areas in which UNCDF operates, in order to assess whether UNCDF has a complementary role to play and how this is enhanced through collaboration and partnerships with other actors. In this context, it would be pertinent to assess the counter-factual; i.e. what would be the international development situation without current UNCDF activities and what does this suggest about the utility and role of the organization?

59. The assessment of relevance should draw upon the findings of the PIAs relating to the assessment of UNCDF strategic positioning in its two niche areas in the case study countries, and to the portfolio review mentioned above. The PIAs assessed strategic positioning from the following perspective:

60. **Local governance:** *Is UNCDF's choice and focus of interventions in line with the 1995 policy shift in the organization and does it strategically position UNCDF to maximize its potential to contribute to decentralization and improved local governance in the programme country? Does this positioning respond to the organization's comparative advantages, and is it complementary to the interventions of other players in the area of local governance and decentralization? Are UNCDF's interventions relevant, significant and in line with the country's strategic priorities, national needs, the MDGs, the Brussels Programme of Action for LDCs and stated UNCDF local governance goals?*

61. **Microfinance:** *Does UNCDF's choice of investments and TA to UNDP-funded MicroStart programmes strategically position the organization in accordance with its comparative advantage vis-à-vis other players in the microfinance arena? Is it relevant, significant and in line with the country's strategic priorities for the sector, national needs, the MDGs, the Brussels Programme of Action for the LDCs, and stated UNCDF microfinance goals?*

2.4. Assessment Domain 3: Sustainability of the Organization

62. *How are UNCDF activities towards its mission being sustained? What are the sources of funding for UNCDF and are they sustainable?* This entails an assessment of the mobilization of core resources, non-core

resources, and cost-recovery¹⁶, and whether or not UNCDF has a sound and sustainable financial support structure and diverse, sustainable funding sources as well as partnerships. The evaluators should, *inter alia*, examine the evolution of the UNCDF funding situation over the last ten years in order to assess the extent to which the financial commitment of donors has matched UNCDF's performance and outputs in the areas identified by the 1999 external evaluation (i.e. project design quality, results performance and annual performance reporting).

63. In addition, the evaluators should address the follow-up, or lack thereof, to Recommendation #11 of the 1999 external evaluation¹⁷. The evaluators should also assess the impact of declining core resources on UNCDF operations and its ability to adequately respond to its clients' needs. This should include a projection of the impact on UNCDF and its portfolio if the current trend on resources is not reversed.

2.5. Lessons Learned¹⁸ and Best Practices¹⁹

64. Upon completion of the various assessments above, the IIA team should, on the basis of the findings under the different assessment dimensions, identify the key lessons learned, as well as the best (or poor) practices of UNCDF.

2.6. Recommendations

65. On the basis of the findings under the above assessment dimensions, make recommendations that will help UNCDF achieve its mission in a sustainable manner. The recommendations should be specific proposals for actions to be taken in specific circumstances, including specification of the parties responsible for that action.

3. Methodology

3.1 Overview

66. On the basis of this TOR, the Team selected to conduct the IIA will develop and present a detailed methodology comprising quantitative and qualitative tools and seeking to make the evaluation itself a learning process for all parties involved.

¹⁶ Core resources are voluntary contributions from donor countries to support the management and administrative budget. Non-core resources are all other resources committed to support UNCDF activities, usually at the country level. Resources from cost-recovery are those resources earned from management or technical service provision.

¹⁷ Recommendation 11 states that "Donors should continue to support UNCDF. Future funding should be linked to performance targets geared to project design quality, and results performance with arrangements for objective verification and annual performance reporting."

¹⁸ Lesson Learned is defined as learning from experience that is applicable to a generic situation rather than to a specific circumstance

¹⁹ Best Practices is defined as "Planning and/or operational practices that have proven successful in particular circumstances. Best practices are used to demonstrate what works and what does not and to accumulate and apply knowledge about how and why they work in different situations and contexts.

66. It is anticipated that the IIA will be conducted in three subsequent, sometimes overlapping, phases:

- **Phase 1:** HQ Review (Desk review, Portfolio review and interviews at UNCDF Headquarters)
- **Phase 2:** Field Review - Validation of desk review findings in selected countries, including field visits to project sites, review of project management and implementation systems and interviews with key stake-holders. The selection of the countries should be done through an appropriate sampling methodology by the evaluators.
- **Phase 3:** Synthesis of findings.

3.2. Phase 1 – HQ Review:

3.2.1 – Desk Review

67. Phase I will focus on document review and analyses at the HQ level and will lay the foundation for the work to follow. The desk review will give the IIA Team the opportunity to review existing documentation, policies, guidelines, reports and financial information and to access all relevant databases.

68. The primary documents to be reviewed include:

- 1999 external evaluation report
- Executive Board decisions [1995-2003]
- 1995 Capacity assessment report
- Taking risks
- Results Oriented Annual Reports for 2000, 2001, 2002
- Selected mid-term and final evaluation reports
- Corporate guidelines for project formulation, gender mainstreaming, evaluation, etc.
- Policy Impact and Replication Guidelines
- Action plan 2000
- Business Plan 2000-2003
- Unit Management Plans (2001 to 2003)
- Independent Project Evaluation Reports and Synthesis Reports (1999 to 2003)
- Programme Operations Manual
- SRF-ROAR, AWP and MIS guidelines
- PIA findings
- Corporate and Unit Functional Analyses conducted in 2001/2
- Donor Peer Review of SUM (2002)

69. UNCDF databases to be used:

- FIM (Financial Information Management)
- IMIS
- Evaluation Unit projects database
- ROAR database
- Corporate MIS
- UNCDF Intranet and Internet Sites

3.2.2. Portfolio Review

70. On the basis of available information and data at the HQ level, the IIA will conduct a review of the total portfolio of UNCDF funded projects, to assess their effectiveness, efficiency, relevance and sustainability, as per the TOR above.

3.2.3 Interviews with key players and staff

71. The IIA will organize individual interviews and discussions with Headquarters staff to assess the mission, organization, capacity, management systems, etc. Field staff in selected Country Offices and projects may also be interviewed by questionnaires or by phone. Other key players to be interviewed include selected UNDP Units, partner agencies, programme country and donors' representatives in New York.

2.3. Phase 2 - Field Review

3.3.1. Field verification of portfolio review

72. During phase 1, the IIA Team will have conducted a portfolio review to assess the quality of the portfolio. This will be verified by field visits to a number of programme countries. The number and sampling of these countries will be based on methodology and criteria to be proposed by the IIA Team.

2.4. Phase 3 - Synthesis of Findings

73. In this final phase of the IIA, the findings of the PIAs, the HQ organizational assessment and the field visits will be synthesized and presented in the draft IIA report.

4. Organization of the IIA

4.1. Firms/individuals submit proposals for consideration

74. Firms are to submit proposals by September 2nd 2003, as per details in the Request for Proposals (RFP). Proposals will be structured according to the requirements in the Instructions to Offerors, as outlined in the RFP, and should include the resumes and writing samples of the proposed team members.

4.2 Proposals reviewed and firms/individuals selected for impact assessment components

75. Proposals will be evaluated and scored according to technical evaluation criteria (included in RFP) and the price proposal. The Award of Contract will be made within one month after the receipt of proposals.

4.3 HQ Briefing and Establishment of Work plan

76. The contracted firm(s) or individual(s) will develop detailed methodology guides for the assessment areas. These will be submitted to the UNCDF Evaluation Unit and agreed prior to commencement of the assessment.

4.4 HQ Two-way Briefing

77. A briefing of the IIA Team will take place at UNCDF Headquarters. The Team will also present the proposed methodology and scope for the IIA to the Evaluation Unit and relevant HQ staff for discussion.

4.5 Desk review, Portfolio review and Interviews (Phase 1)

78. The firm/individual will conduct a desk review of all relevant documentation as described earlier, and will conduct individual interviews or group discussion. Upon completion of Phase 1, the IIA will draft a **Summary of Key Findings** detailing key initial findings of the desk review and issues that necessitate verification or validation in the field

4.6. Field visit (Phase 2)

79. The IIA Team will develop criteria for the selection of countries to be visited. Upon arrival in the field, the IIA Team will conduct interviews with key stakeholders and players as well as visit UNCDF on-going programmes. Prior to departing from each country visited, the IIA Team (or individual team member if the team decides to visit countries separately) should draft an **Aide Memoire** to share and discuss with the Country Office and the project teams the initial findings.

4.7. Synthesis of findings (Phase 3)

80. Upon return from the field, the IIA Team will draft a synthesis IIA report, compiling findings of the desk-review, portfolio review, the field visits and the PIAs. The draft synthesis report will be shared with all relevant stakeholders (the Evaluation Unit, UNCDF Operational Units and UNCDF senior management and field staff) and discussed in depth. Comments from key stakeholders will be noted for incorporation into the final report and in the UNCDF Management response to the IIA.

4.8. Preparation and presentation of the final IIA report

81. On the basis of the consolidated comments of stakeholders to the draft synthesis report, the IIA Team will finalize the report, to be submitted to the Executive Board in March 2004, and the IIA Team will present it to the Executive Board at its June 2004 session.

5. Organization, composition and duration of the IIA

5.1. Organization of the IIA

82. The IIA will be carried out in an independent manner by the selected firm. The UNCDF Evaluation Unit will be responsible for managing the IIA and supporting the IIA Team. The focal point at Headquarters will be Rebecca Dahele, UNCDF Evaluation Specialist. In the field, the UNCDF Programme Officer of the respective Country Offices will be the focal points for the IIA Team.

5.2 Composition of the IIA Team

83. Entities submitting a proposal shall propose the composition of the team and outline the proposed team members' individual competences, including CVs as an annex. The division of labor between the team members is suggested in the matrix in Annex 4.

84. A member of the UNCDF Evaluation Unit may accompany the IIA Team during the field visits for purposes of quality control and methodology review.

The EU staff will play an observation role only and will not be involved in any activities that may compromise the independence of the IIA.

85. At minimum, the IIA team members shall possess the following qualifications:

Team Leader:

86. An international expert in the assessment of organizational performance, development effectiveness and impact of multilateral organizations, with a proven knowledge of broad development issues as well as some familiarity with local governance and microfinance issues. Specifically the team leader will have applied experience in using both qualitative and quantitative organizational performance assessment tools. The team leader must have demonstrated capacity for strategic thinking. Familiarity with the countries where UNCDF operates (i.e. LDCs) would be an advantage. A broad knowledge of the international development financing architecture is essential, as well as familiarity with thematic development issues such as participation, gender, etc. In addition, the team leader, who is responsible for the preparation, finalization and presentation of the IIA, must have excellent analytical, team-management, writing and communications skills, and be fluent in both English and French.

Team members:

87. The Team Leader will be assisted in his/her work by two senior international experts, each with broad and in depth expertise, respectively, in the two niche areas of UNCDF – decentralized public investments/local governance, and microfinance, as well as demonstrated knowledge of evaluation, organizational performance and impact assessment techniques, a sound knowledge of development issues and results-based management. They should be familiar with some or all of the countries where UNCDF operates (i.e. LDCs). Fluency in both English and French is desirable. One expert will be responsible for the overall assessment of the organizational performance of UNCDF's local governance operations, and the other for UNCDF's microfinance operations. They will support the Team leader in the overall assessment of the organization. (See Annex 4 for suggested division of labor). In addition, given the scope of the IIA, if deemed necessary, junior consultants or research assistants may be included in the team to support data collection. However, the preference is to keep the team as lean as possible.

5.3 Duration of the IIA

88. The IIA will be conducted in 8-10 weeks (4 weeks for Phase 1, 2-4 weeks for Phase 2 and 1-2 weeks for Phase 3). The timing of the IIA will be determined in consultation with the Evaluation Unit. It is envisaged that, while work on Phase 1 (Desk review, etc.) could begin immediately upon the issuance of contract; i.e. anytime after September 2003, the timing of Phase 2 will depend on the countries selected for the field visits, and Phase 3 will take place around November-December 2004. The actual timing of the field visits by the IIA team shall be arranged in consultation with the respective UNCDF Programme Managers, project teams, local government and microfinance institution stakeholders and UNDP country offices. In any case, the final report must be

completed by end **January 2004**, which means the draft IIA report should be available by end **December 2003**.

5.4 IIA Costs

89. The cost of the exercise is based on the price proposal of the selected firm or individuals. 60% of the payment will be paid incrementally, as specified in the contract. The remaining 40% of the payment will be delivered upon receipt of all deliverables to a satisfactory quality.

6. Reporting

6.1 Reports

90. The **Proposal** of the selected firm or individuals shall have already outlined a work plan and approach to the IIA exercise, the scope and methodology of the HQ and field level assessments, the tasks and responsibilities of the different team members, and a time schedule for the IIA exercise. A **Detailed Work Plan** shall be developed at the start of the IIA exercise, following discussions with HQ and country level stakeholders.

91. Based on the methodology outline prepared for the proposal, the team will prepare a detailed **Research Methodology Guide** for the various components of the IIA that will be agreed upon with the UNCDF Evaluation Unit prior to the commencement of the field studies.

92. Upon finalization of Phase 1 of the IIA (i.e. the desk review, portfolio review and interviews at Headquarters) and prior to the field visits, the IIA Team will draft an **Summary of Key Findings**, in which initial findings, as well as the main issues to be verified at the field level, will be outlined. These draft findings will be shared and discussed at an IIA Phase 1 Briefing session, in which HQ/New York based stakeholders will be invited to review and comment on the findings of the IIA team.

93. During Phase 2, for each of the countries visited by the IIA team, prior to departure from each country, the IIA Team will draft an **Aide Mémoire**, indicating the findings of the team members, which will be shared and discussed at a debriefing meeting with relevant local stakeholders and their comments are to be summarized in an **IIA Country Mission Debriefing minutes**.

94. Upon finalization of phase 2, the IIA Team will prepare a **Draft IIA Report**, which will include the findings of both the IIA and the PIA. The draft synthesis report will be shared with all relevant stakeholders (the Evaluation Unit, UNCDF senior management and staff) and discussed in depth. Consolidated comments from key stakeholders will be noted for incorporation into the final report or in the UNCDF Management response.

95. Building on the feedback to the draft synthesis report findings, the IIA Team will prepare the **Final IIA Report**.

6.1.1 Summary of deliverables:

96. One bound copy and an electronic version of each of the main reports shall be submitted to UNCDF Headquarters. In summary, the outputs required of the IIA Team are the following:

- (a) Detailed Workplan for the IIA Team
- (b) Research Methodology Guide for each Assessment Domain
- (c) Summaries of Key Findings upon finalization Phase 1
- (d) Aide Memoires and Minutes of debriefing meetings for Field Visits
- (e) Draft IIA report
- (f) Final IIA report

6.2 Format for the Report

97. Below is the *suggested* format for the required report. The selected firm is required to submit a more detailed format based on this at a time to be agreed with the UNCDF Evaluation Unit.

Main report

1. Table of contents
2. Executive Summary, providing an overview of the report and a summary of the main Findings, Conclusions and Recommendations
3. List of abbreviations
4. Portfolio summary, providing aggregate key facts and figures on the total project portfolio.
5. Introduction, briefly stating the purpose of the exercise, composition of the IIA team, and the structure of the report
6. Methodology, outlining the tools used, and the schedule of activities carried out, plus methodological issues encountered, and any qualifiers relating to findings
7. Background for the organization:
 - Mission
 - Organization
 - Organizational costs and financing, as well as actual expenditure
8. Main body of the report (structured to best answer the main evaluation questions for the three assessment domains, as outlined in the TOR above):
 - i. Effectiveness (including impact) and Efficiency of UNCDF in fulfilling its mission (including the assessment of UNCDF's impact in terms of poverty, policy impact and replication, the sustainability of results, and its strategic positioning at the country level, based on PIA findings).
 - ii. Relevance of UNCDF (including the assessment of the strategic positioning of UNCDF at the country level, based on the PIA findings)
 - iii. Sustainability of UNCDF
9. Lessons learned and best practices
10. Findings and recommendations to UNCDF and its stakeholders.

- Annex 1 – TOR for PIA of Microfinance
- Annex 2 – TOR for PIA of Local Governance
- Annex 3 – Recommendations of the 1999 External Evaluation of UNCDF
- Annex 4 – Suggested Division of Labor of IIA Team members.