

Enhancing Access to Financial Services (EAFS)

Mid-term Evaluation

Terms of Reference (ToR)

A.PROGRAMME DATA SHEET

Country:	Nepal
Programme Title (long)	Mid Term Evaluation of Enhancing Access to Financial Services Project, Nepal (project ID code 00060717)
Programme Title (short)	MTR of EAFS, Nepal
Programme Number (Award ID)	UNDP: 00049650 UNCDF: 00056791
Programme Atlas Code (project ID by donor)	UNDP: 00060717 UNCDF: 00069750

Financial Breakdown (by donor)

Commitments:	Currency	Amount
Total project size	USD	\$ 9,966,065
UNCDF	USD	\$1,500,000
UNDP	USD	\$ 1,500,000
Funding gap		\$ 6,966,065

Delivery to date (per donor)

	2007	2008	2009	2010	2011 (Planned)
UNDP			121,082.35	388,564.47	500,000.00
UNCDF			0	457,846.86	600,000.00
Total			121,082.35	846,411.33	1,100,000.00

Total project budget:	USD 3,000,000
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Executing Agency	
Implementing Agency	Nepal Rastra Bank, Nepal
Approval Date of Project	03 Oct 2008
Project Duration	Nov 2008 - Dec 2012

Project Amendment	Non
Evaluation Date	November 2011

Other current UNCDF projects in-country	Local Governance and Community Development Programme (LGCDP)
Previous UNCDF projects (if relevant)	Decentralization and Financing Services (DFDP)
Previous evaluations (if relevant)	
Dates of audits	March 2011 for EAFS project

Evaluation Date: First week of November - End of November, 2011

Team composition:

- One Team Leader (international consultant)
- Two Team Members (national consultants)

1. Purpose and Timing of the Implementation Review

1.1 Purpose / Objectives

The objectives of this evaluation are:

- To assist the recipients, beneficiaries, and the concerned co-financing partners, to understand the **efficiency, effectiveness, relevance, and likely sustainability of results**;
- To assess the level of **satisfaction of programme stakeholders** and beneficiaries with the results;
- To assess whether UNDP, UNCDF and its partners are **effectively positioned** to achieve results;
- To contribute to UNDP, UNCDF and partners' **learning** from programme experience;
- To help programme stakeholders assess the value and opportunity for broader **replication** of the programme;
- To help programme stakeholders determine the need for **follow-up** on the intervention, and general direction for the future course;
- To understand socio economic characteristics of end users of EAFS partners (i.e. clients) so to understand if and how project contributed to reaching the intended audience (vulnerable and excluded groups) and enhanced access to financial services
- To ensure **accountability** for results to the programme's financial backers, stakeholders and beneficiaries;
- To inform formulation of the next phase of programming and future direction beyond the life of the project;
- To comply with the requirement of the programme document/funding agreement and UNDP and UNCDF Evaluation Policy.

1.2 Timing

- According to the project document, the EAFS is subject to an independent mid-term evaluation. Furthermore, the project (2008-2012) is half-way through its implementation that started in early 2010. The project has completed approximately one and a half years of its 3 year duration. Therefore, the MTR is planned for November 2011. Additionally, Performance Based Agreements (PBAs) that were signed with the implementing partners and the Central Bank of Nepal (Nepal Rastra Bank, NRB), and the PBA agreements signed between implementing partners and UNCDF outline September 2011 as a time period for the MTR.
- The estimated **timing** of the proposed MTR is from 1st week of November till end of November 2011 (estimated 30 days including the field visits).

1.3 Evaluation Collaboration

- The MTR is a joint initiation of UNDP and UNCDF. The overall evaluation process will be managed by UNCDF Asia-Pacific Regional Office under the overall supervision of the UNCDF Evaluation Unit (key partners including NRB and UNDP will be consulted at each step of the evaluation for inputs)
- An **in-country Advisory Group**, composed of representatives of project stakeholders, including UNCDF, UNDP and NRB, will be established.
- The role of the Advisory group will be to: review ToR, review draft report, participate in HQ debriefing session, participate in interviews by the evaluation team

- The in-country evaluation support team will provide necessary documents and information, facilitate contacts, and ensure logistical support.
- Roles and Responsibilities of key actors in the evaluation process is attached in Annex 1

2. Programme profile

2.1 The country Context

Nepal is among the poorest countries in the world, and the poorest in South Asia. Approximately 25% of the population lives below the poverty line and 83% of the population lives in rural areas. The most recent Nepal Living Standard Survey (2003/2004) estimated that nearly 25% of the population lives below a US\$ 1 a day international poverty line. It is a diverse country of about 28 million people, encompassing several religions, tribes, and over 100 languages. Nepal has a recent history of armed conflict, which ended in 2006. However, disturbances in several regions of the country persist. In 2010, Nepal had a gross national income (GNI) per capita of US \$ 440 (ref WB 2009). The adult literacy rate is 48.6 (male 62.7% and female 34.9%, ref census 2011).

The pattern of poverty in Nepal is disproportionately concentrated in rural areas, and amongst women, children and lower castes. Rural poverty is exacerbated by a lack of education, skills, access to credit and other financial services, and a lack of alternative employment opportunities. Moreover, levels of poverty in rural areas have been aggravated by Nepal's decade long armed conflict, and the continued disturbances to law and order in many parts of the country. Labour mobility, financial services, and commodity markets have been disrupted in rural areas, and the delivery of basic public services in rural areas has deteriorated significantly from an already very low level, adversely affecting livelihoods.

There is an estimated 17.6 million people in Nepal that lack access to financial services (Nepal Rastra Bank, 2010). Majority of these people reside in hills and mountains areas and out of 7 million poor only 1/3 has access to financial services (Nepal Rastra Bank, 2011). Majority of the poor depend on informal, often very costly financial mechanisms.

At present, four major types of microfinance institutions exist in Nepal: Savings and Credit Cooperatives (SCCs) also referred to as SACCOS (Savings and Credit Cooperative Societies), wholesale lending microfinance development institutions, Financial Intermediary NGOs (FI-NGOs) and Microfinance Development Banks (MDBs). A large numbers of Savings and Credit Groups are active in Nepalese microfinance sector. In addition to these MFIs, there are over dozen of rural development programmes with credit component that provide financial services to the poor (reference). Despite significant innovations to extend financial services to the poor and excluded, microfinance services have been confined to a greater extent with better off poor. A large relatively more poor segment of the rural population living in non - accessible districts and remote hills and mountains are yet to be serviced through microfinance.

2.2 Status of Inclusive Finance Sector in Nepal

Nepal Rastra Bank (the central bank of Nepal) is the supervisory and regulatory body established in 1956 to develop, expand and regulate the financial system to create a strong and sound sector. Under the Financial institution's act, financial Institutions are categorized as A, B, C and D category financial institutions. Apart from the Financial institution's act there are also two other acts, one regulating cooperatives (Cooperative Act) and the other regulating financial intermediary NGOs (FINGOs act). As of April 2011, there are 31 commercial banks, 83 "B" class development banks 79 "C" class finance

companies and five "D" class microfinance development banks operating in the country (Nepal Rastra Bank, 2011). In addition to these institutions, there are 16 NRB licensed savings and credit co-operatives (with limited banking operations) and 38 NRB licensed Non-Government Organizations (NGO) that can offer credit

Apart from the above mentioned institutions there are also four wholesale lending institutions:

Rural Self Reliance Fund (RSRF):

This fund was setup by the government with the objective to disburse money through Savings and Credit Cooperative Societies (SACCOSs) and Financial Intermediary NGOs (FINGOSs) for the income generating activities to enhance the living standards of the low income communities and deprived sector population.. The fund is managed and administered by the NRB.

Rural Microfinance Development Centre (RMDC):

RMDC is a "D" category micro credit development bank established in 1998. It provides wholesale lending to the microfinance institutions such as rural regional development banks, microfinance development banks, rural co-operatives and Financial Intermediaries NGOs (FINGOs).

Small Farmers Development Bank (SFDB):

SFDB is a "D" class micro credit bank that emerged in July 2001. It provides wholesale credit along with the technical support services mainly to the Small Farmers Cooperatives Ltd. (SFCLs).

First Microfinance Development Bank Limited (FMDB):

FMDB was established as a national level micro credit development bank in 2009. FMDB provides wholesale loans to MFIs, FINGOs and Savings and credit cooperatives.

Commercial banks, development banks and finance companies also provide wholesale lending in the country. Nepal Rastra Bank requires commercial banks and financial institutions to allocate 3.5% of their portfolio towards the deprived sector lending either to on lend to MFIs or make an equity investment but unfortunately only a few institutions comply with this regulation. Commercial banks are reluctant to lend to institutions that provide collateral free loans (such as MFIs) and lack confidence in microfinance operations.

The semi-formal sector

The semi-formal financial sector of Nepal comprises of Savings and Credit Co-operative Societies (SACCOS) and Financial Intermediary NGOs (FINGO). The Department of Co-operatives regulates SACCOS and issues licenses. SACCOS can have 25 to 9000 members. All the SACCOS operate under the umbrella of the Nepal Federation of Savings and Credit Cooperative Unions Ltd. (NEFSCUN) and the National Cooperative Bank Ltd. These two are operating under Co-operative Act 1992, and the Co-operative Regulations 1993, issued by the National Cooperative Development Board (NCDB). These two organization's (NEFSCUN and NCDB) are providing funds to Savings and Credit Co-operatives (referred to also as SACCOS) in Nepal. Some of the SACCOS have also been supported and financed by the Rural Self Reliance Fund (RSRF).

Micro Finance Development Bank:

Micro Finance Development Banks (MFDBs) are established as per the Banking and Financial Institutions Act 2006 and are regulated by the NRB under BAFIA 2006 and NRB Act of 2003.

MFDBs can provide micro credit and savings to individuals or groups.. MFDBs are allowed to borrow from domestic or foreign institutions for on lending to clients, borrowing from foreign banks or investment hosues need written permission from NRB. MFDBs can access wholesale loans from other financial institutions such as commercial banks. According to Microfinance regulation, the collateral free loan (group guarantee) amount should not exceed NRs. 90,000 per person. MFDBs can provide up to NRs. 200,000 loans to individuals with collateral for income generating microenterprise activities.

Informal Financial Sector

Nepalese informal financial sector consists of moneylenders such as landlords, merchants, farmer-lenders, goldsmiths, pawnbrokers, friends and relatives or group informal institutions like dhikuti, dharam bhakari, and guthi. Informal lenders provide credit without procedural complexities and have flexibility regarding repayments and collateral, which does not exist in formal sector¹, however their services come costly to the poor Moneylenders exist in almost all the villages. They lend either with collateral (gold or silver) or without collateral linked with labor and/or land transaction as security. The interest charged by moneylenders is generally very high, ranging between 36% and over 100% per annum. Apart from charging high interest, moneylenders often receive either labor services or other small gifts as part of the loan repayment. Loans from moneylenders are generally used to cover costs related to getting foreign employment and for unexpected events such as sickness or socio-cultural obligations like weddings and funerals².

Traditional rotating credit groups (dhikuties, dharam bhakari, guthies)are well established and widespread in Nepal and represent a local and indigenous response to a need for credit.

3. Project Overview

Enhancing Access to Financial Services (EAFS) is supported by UNDP and UNCDF. Total project size is of US\$ 3,000,000. UNDP and UNCDF contributed US\$ 1,500,000 each. The project is implemented by the Nepal Rastra Bank. The project duration is from July 2008 to December 2012.

With the peace process underway, there was a renewed interest from the government to take a fresh look at access to finance issues and policies during 2006. In response to the Government and NRB requests during November 2006 and to support a comprehensive reform of the financial sector to promote access to financial services for the poor, a US\$ 30 million multi-donor project was designed jointly by UNDP, UNCDF and WB. The request to design a multi-donor program was explicitly requested by the Government that tried to ensure donor coordination and, at the same time, reduce the transaction costs of coordination.

The project was designed based on the following hypothesis and aims to achieve the following objectives, outputs, and outcomes:

Original Project Hypothesis (as per project document)

¹ADB and NRB (1994) estimate proportion of households borrowing from informal sources at 34% and there is no latest updates.

“Better access to finance can play a vital role in spreading economic opportunity and fighting poverty. For example, through access to savings the poor can better cope with shocks, such as illness and death. Through access to credit, they can invest in income generating activities or in the future, by obtaining an education or migrating. Access to financial services also plays an important role in supporting the growth of small businesses, which in turn are crucial in employment generation for the low skilled labor force”.

Programme Expected Results

The overall objective of EAFS project, as per the project document, is to expand access to financial services (both in terms of quantity and quality), especially to small businesses and low income households (especially poor youth, excluded and vulnerable groups), in a sustainable fashion aiming to reach 330,000 new clients by the end of the project. The project aims to provide technical assistance to both service providers and bankable clients, by linking the demand for financial services with efficient and low cost supply. To meet this objective, the EAFS project was envisioned as a US\$ 30 million 5 component project in its original design³, however due to funding gap the actual project reduced to only 2 components of the original project, with a budget of only US\$ 3 million. Given that the project lacked funding, the project is implementing activities to support the implementation of 1st (A Fund for Inclusive Finance) and 5th (Public Information campaign) component of the original project. This was a joint decision of all parties (UNDP, UNCDF and NRB). Changes were not made to the original project document to reflect this funding reality (hence the reference to the “original” project document), rather Annual work plans are used as a reference point for the project implementation.

Additionally, while the project was envisioned to start in early 2008 its actual implementation started late October 2010, therefore the project has in effect been operating only for a year. The delay was due to the late signing of the PBA Agreements with the partners.

Despite the budget gap, reduction of project components from 5 to 2 and the late start, the project retained the same objective, as well as the same outputs as can be found in the original project document:

³ The original project document had 5 major components to contribute to the above mentioned objectives, outputs and outcomes as follows:

- i. A Fund for Inclusive Finance to strengthen the capacity of financial institutions to expand access to underserved market segments and to carry out a financial literacy campaign. The underserved segment that will be targeted include urban MSMEs and rural and urban households. (US\$ 14 million)
- ii. Technical assistance to support reforms of the legal/regulatory and supervisory framework for microfinance, and the implementation of a secured transactions registry (US\$ 2.7 million)
- iii. A line of credit for financial institutions with limited liquidity and interest in serving MSMEs, especially previously unbanked ones (US\$ 12 million)
- iv. Technical assistance to reform state-owned microfinance institutions, i.e., the Rural Self-Reliance Fund and the Regional Rural Development Banks (US\$ 0.75 million)
- v. Technical assistance to fund a public information campaign, project implementation, monitoring and evaluation (US\$ 0.55 million)

UNDAF Outcome: *By 2010, sustainable livelihood opportunities expanded, especially for socially excluded groups in conflict affected areas.*

CPAP outcome (sustainable livelihoods) : *Employment and income opportunities and access to financial services enhanced, especially for youth and excluded groups and PLWHA in partnership with the private sector and CSOs.*

CP C. 1.1 (sustainable livelihoods): Policies, programmes and institutions improved for poverty reduction, better economic opportunities and protection of workers

Outcome of Joint Programme: Increase the use of formal financial services (credit, savings, etc.) from profitable financial institutions (banks, MFIs, etc.) by urban micro, small and medium enterprises and urban and rural low income households

Output 1: Fund for Inclusive Finance established by November 2008 and operated / managed till Dec. 2012	Output 2: At least nine FSPs/MFIs obtain technical assistance from FIF to expand the frontier of microfinance services (reaching 1,155,000 active loan clients) by Dec. 2012.	Output 3: 10,000 Savings and Credit Groups (SCGs) promoted by UNDP and/or other GOs/NGOs supported programmes linked with FSPs/MFIs by Dec. 2012	Output 4: Technical assistance on project implementation, monitoring and evaluation system and public information campaign provided	Output 5: Project operation and management
<p>Output Indicators (as per RRF)</p> <p>Indicator 1: # of clients of selected micro-finance service providers (disaggregated by districts)</p> <p>Indicator 2: # of service delivery units of micro-finance service providers in remote districts</p> <p>Indicator 3: % of female clients of micro-finance service providers (disaggregated by districts)</p> <p>Indicator 4: Average loan size as a % of per capita GDP</p> <p>Indicator 5: Financial self-sufficiency of partner micro-finance service providers</p> <p>Indicator 6: Number of active clients (including women and disadvantaged groups) accessing financial services (Estimated baseline for active loan clients in 2007: 825,000)</p>				

It is worthwhile noting that at the start of the actual implementation phase (late 2010) the project focused on areas that have little or no presence of financial institutions (so called "priority districts"), reaching these districts is a major concern of the EAFS despite the fact that the project aims to expand the financial services across the country. Lastly, the original target group of the project was the poor youth among other groups, however the project has not maintained the focus on youth rather its focus is reaching excluded and vulnerable groups such as women, Dalits/Janjanits/Muslims and the like groups. Additionally the project placed a special emphasis on reaching the rural populations more so than urban.

The project also had the intended exit strategy clearly outlined in the original project document. The exit strategy of the project is (i) use of NRB as an implementing agency, (ii) implementing the project in partnership with MSPs/FSPs and (iii) focus on local (FSPs/MFIs and Microfinance service providers) capacity building so that various initiatives started by the project during project period can be continued without un-interrupted upon phase-out. The project did not create any additional structure (permanent

or temporary) for the project implementation rather it works within existing structure of the NRB and focuses on building their capacity.

4.

Int

Interventions strategy

In the light of the above explanation on project changes, the project is implementing the following activities to meet the objectives, output and outcomes:

a. *Partnership with FSP/MFIs to increase outreach through two windows of grant support:*

EAFS project provides support in the form of performance based grants and/or technical assistance contracts. In order to support the overall project agenda, the project called for EOI and now supports 18 financial service providers to implement their respective solutions to expand the frontier of microfinance services (the project signed so called Performance Based Agreements with partners). The project distinguishes between:

- Window I: Strategic Partnership - forge partnership with FSPs/MFIs, grant support mainly for outreach expansion and institutional development and;
- Window II: Innovative Partnership - Grant support to develop, innovative and therefore largely untested approaches to providing or facilitating the provision of financial services to people in rural areas, remote locations and hitherto un-served markets;

b. *Provide technical assistance and training to strengthen the capacity of FSPs;*

c. *Forge strategic alliances/ partnerships with other development partners for synergy and leverages;*

d. *Sharing lessons/knowledge with partner FSPs/MFIs and other developmental partners;*

e. *Promote management information system (MIS) in the partner FSPs/MFIs;*

f. *Performance based agreement (PBA) with FSPs - trigger payment based on targets achieved;*

g. *Provide grant support to FSPs for outreach increment, linkages promotion and innovations adoption;*

h. *Rating / institutional assessments of FSPs.;*

i. *Market Research and Knowledge Creation*

j. *Financial Literacy*

k. *Create linkages among 10,000 Savings and Credit group and microfinance sector*

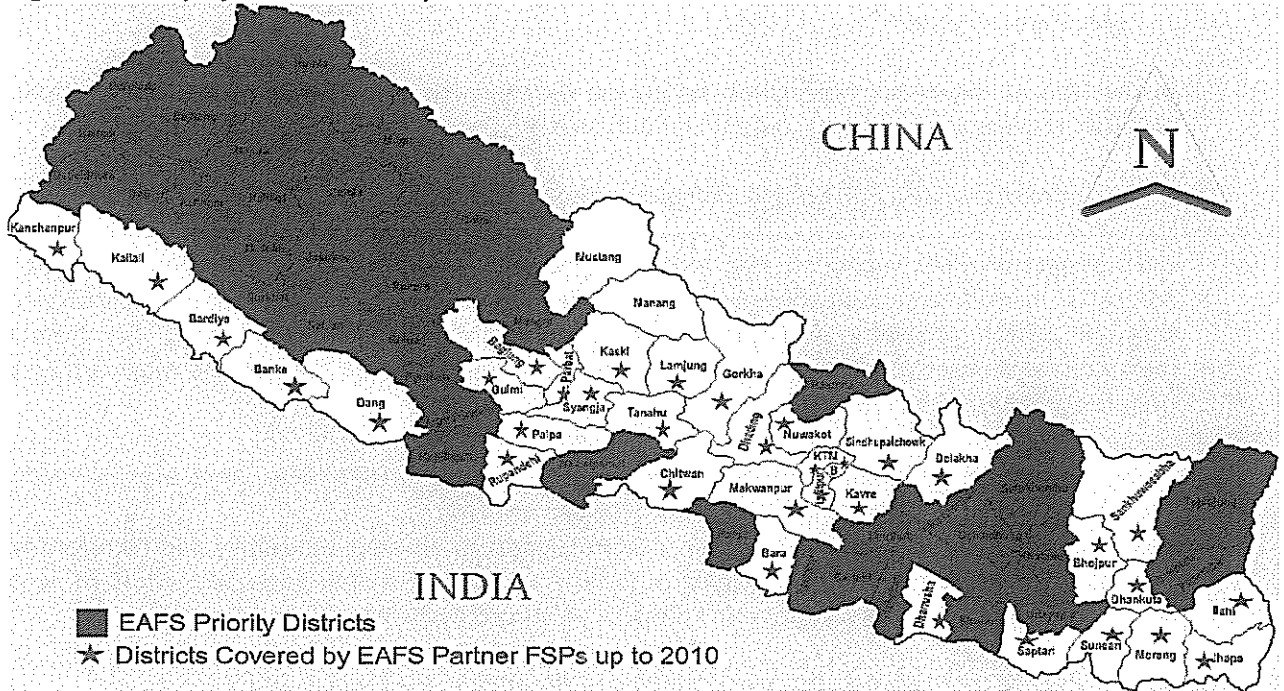
5. Location of the Programme

Partnering FSPs have reached 61 districts out of 75 total districts in the country as of April, 2011, as shown in Figure 1.

Out of 38 project priority districts⁴, partners have reached 26 districts by mid-April 2011. The partners plan to reach additional 5 priority districts (Achham, Baitadi, Bajhang, Okhaldhunga and Solukhumbu) by mid-July 2012. Out of 37 non-priority districts, partners reached 35 districts (except Manang and Mustang). In effect, partners reached almost 100% of non priority districts.

The Strategic Partner FSPs had opened 87 new branches under the project support of which opened 44 branches are in 19 project priority districts and 43 branches in 23 non priority districts.

Figure 1. EAFS project outreach map



6. Current Status of the project

Component 1: Fund for Inclusive Finance (FIF)

Sub-Component I-A: FIF Management:

Fund for Inclusive Finance is the project as per NRB although this is not the spirit of the project document. The project has not been able to establish FIF as a fund with its own mechanism. But over the period, the current project implementation modality was described as FIF and was managed by NRB in a flexible manner with a focus on producing the desired results.

Under FIF (current project working modality), a system and process to procure services for the expansion of the financial services through technical assistance was established, called Performance Based Agreements. FIF Operational manual draft was prepared by the project. The Operational manual outlines the procedures and criteria for the FSPs/ MFIs assessment for the technical assistance.

Sub-Component I-B: Outreach and Innovation:

Under the FIF, implementation modality, PBA agreements were signed with 10 Strategic partners and 8 innovative partners to expand the services to 258,770 against the of target 330,000 as mandated in the project document as of June 2011.

Strategic Partners

Branch expansion was one of the strategies undertaken by the partner agencies to expand the financial services. Strategic Partners opened 87 new branches under the project support as of June 2011. Of the total 87 new branches, 44 branches are in 19 project priority districts and 43 branches in 23 non priority districts. The partners plan to expand to additional districts of Achham, Baitadi, Bajhang, Okhaldhunga and Solukhumbu by mid July 2010. There are no plans to reach the remaining 7 priority districts namely Bajura, Darchula, Dolpa, Humla, Jajarkot, Kalikot and Mugu.

Majority of SPs clients are women, and institutions keep their focus on female clients. Ratio of rural clients versus overall clients slightly increased from 71.16% in mid January 2011 to 72.47% in mid April 2011. This data suggests that the outreach expansion is slowly growing to include more rural areas.

In term of inclusiveness of casts and ethnicities (Dalits, Jannaties, Madheshi and Muslim) the overall percentage of Dalits, Jannaties, Madheshi and Muslim increased from 62% in mid January 2011 to 67% in mid April 2011. This reinforces the fact the FSPs have been focusing in rural areas and locations where the percentage of population consisting of deprived communities is higher than in urban areas.

All strategic partners attained Operational Self-Sufficiency (OSS) of more than 100 %. It suggests that they are operating in a sustainable way.

All strategic partners have Portfolio at Risk (PAR 30 days) below 5 %. Out of the ten, eight have PAR rate below 1 %while two partners have slightly higher rates, but still within international best practices (PGBB 4.5 % and NUBL 2.55 % respectively).

Innovative partners

EAFS has 8 innovative partners which are: NWCSC, UNYC, MCDC, RWDC, SOLVE, SBL, MPGGB and WDCN. Support to innovative partners focused on providing technical assistance and grant support to implement new and thus untested innovative approaches to delivery of financial services. The innovative partners are experimenting with two major approaches: adaptations of lending methodologies and diversification of products and services to better meet the specific needs of consumers.

Innovative partners, remain focused on reaching mostly women, 95% of their clients are women. This is slightly lower when compared to strategic partners that serve almost 100% women. Innovative partners however, serve more rural clients 82.97% as of mid April (in comparison, 74% of strategic partner's clients are rural based). 73% of these groups, in terms of inclusiveness of casts and ethnicities (Dali, Jannaties, Madheshi and Muslim) are also served.

All innovative partners attained Operational Self – Sufficiency of above 100%. Portfolio at Risk rates are within international standards, with all partnering institutions having PAR rates below 5% at 30 days.

SCGs Linkages with MFIs/ FSPs

Seven partnering institutions (NUBL, MCDC, SOLVE, FORWARD, NWCSC, CBB and JBS) initiated linkage model. Savings and Credit linkages progress to date shows that cumulatively only 581 groups out of potential 10,000 groups have been linked to the financial sector. Mapping exercise was completed for the saving and credit groups and the data shows that there was existence of about 4,000 such groups.

However, the project has faced difficulty in updating the current status of such groups. The project has also developed rating tools to help/ facilitate the MFIs to create linkage with the MFIs.

Though the project aimed to link 10,000 groups until July 2012, it seems however that this is not attainable within current project mandate given the reasons above, as well as budgetary and time limitations.

Component II: Public Information Campaign, Implementation, Monitoring and Evaluation:

Sub-component II-A Public Information Campaign: The sub-component aims to build consensus for all the suggested reforms, to communicate the key components and outcomes of the project to all stakeholders.

The project is now supporting the efforts of financial institutions and regulators in deepening, broadening and scaling up outreach of financial services in Nepal. As part of its ongoing work the project has new initiatives focused on financial literacy, financial education, and financial capability.

The project has been able to influence the NRB management to lead on developing a “National Financial Literacy Strategy”. This has been reflected in the monetary policy of NRB 2068/2069 Where the bank committed to conducting research on financial literacy and behaviors in order to inform further policy development. Financial literacy was recognized as an important element of overall promotion of access to finance, as well as the major impediment to successful use of money.

Sub-component II-B Implementation, Monitoring and Evaluation: This sub-component include the procurement of goods, training and consultants (i.e. the procurement expert and the assistant procurement expert; technical experts)

Technical Assistance

The technical assistance was ensured through UNCDF mandates. Very specific TAs were mobilized to address specific needs of the MFIs. A training on market research and product development was conducted to help the MFIs to appropriately design the products, thus diversify products on offer.

EAFS project organized training on Village and Savings Lending Associations (VSLA) conducted by an international expert, as an option to look at opening up avenues for non-institutional forms of credit as a way to expand in rural areas. However, the option of VSLA has been put on hold for now due to a large number of Savings and Credit Groups already existing in the country and following fairly similar methodology. The project focus is on strengthening the linkages of the SCGs and formal financial institutions as a way of broadening access to financial services for the poor.

Rating exercise was conducted by M-CRIL international rating agency based in India. Based on the assessment microfinance institutions, EAFS partners received positive ratings. Few common issues were highlighted for all the MFIs like multiple borrowing, limited loan products, weak MIS system, overlapping in working areas, lack of awareness etc. The exercise has also helped to identify areas for TA needs in future.

Trainings were provided on conducting market research to the partner MFIs. The training on market research and product development has led to identification of research topics and helped them in carrying out small research on their own.

The technical assistance also focused on building a strong relationship with Centre for Microfinance in order to support EAFS in reporting to Mix Market.

The project has also now put its focus also to strengthen the MIS capacity of the microfinance institutions so that financial service providers can fully utilize MIS systems, not only to collect the data but also to produce timely and accurate reports.

Moreover, regular review meetings, are conducted every quarter with all partners following experiential learning methods, which has allowed direct interactions on the issues and concerns of the parties concerned. The quarterly meetings are also followed by regular on site and off site field monitoring by the project team

Most importantly, NRB as an implementing has allowed to have direct policy inputs. With the presence of the CTA, the project is heading towards a more focused approach and interventions to meet the project objectives, systematic TA provision, documentation of the good practices and explorations for new ways that can contribute to the broader objective of the project.

7. Significant issues that have arisen during project implementation:

- Project had 5 components, but is really operating as a sub set of the original “Access to Finance Project” however its objectives and outputs remain the same
- The PBAs agreement has been conceptualized around promoting 257,778 new clients against the original project target of 330,00. Therefore there is a gap between the signed documents with the partners and original project targets.
- Limited expansion in priority districts due to difficult infrastructure in the country
- The number of 10,000 SCG was chosen on arbitrary bases, i.e. it was estimation but no feasibility study was done before hand to see whether the 10,000 is realistic in terms of project outcomes. The project has only recently, with the arrival of CTA, started to develop a strategy for SCG linkages as well as started to review its SCG linkage feasibility and approach.
- SCG is almost a standalone component of the project and has not been integrated in any agreements with the partners.
- Need for more clarity on Innovations undertaken by the partners
- Addressing the needs of the Bottom of the Pyramid clients
- Absence of CTA for a long period. CTA on board only from April 1, 2011. Delay in provision of CTA, impacted the technical delivery of the project as well as the overall focus of the project
- Funding gap of US\$ 6,966,065 (70%) that need to be mobilized.
- Continuation of the work past 2012 if funding ceases
- Complementarity with UNDP working projects

8. Evaluation Framework, methodology and tools

8.1 The evaluation approach in a nutshell

The methodology used for this mid-term assessment involves testing the intervention logic/development hypothesis underlying a programme against evidence on its implementation performance. Two main tools have been developed for this purpose:

- (1) Intervention Logic Diagrams (which are further detailed in an Effects Diagram for each practice area)
- (2) An Assessment Matrix, which contains 8 key evaluation questions

The findings are built incrementally through pre-mission deskwork resulting in the formulation of an Inception Report by the evaluation team leader (which, inter alia, reviews the relevance of the overall Intervention Logic and makes a judgment whether there will be a need to adjust the Assessment Matrix to the particular country context).

This deskwork phase is followed by mission assessments at the country level. The team's understanding of the programme design, and its emerging findings and recommendations are deepened through review and analysis of data and information, dialogue with the programme stakeholders and the service users in a series of interviews, focus group discussions and facilitated kick off and debriefing workshops.

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

8.2 Intervention Logic/Development hypothesis for the inclusive finance sector in UNCDF

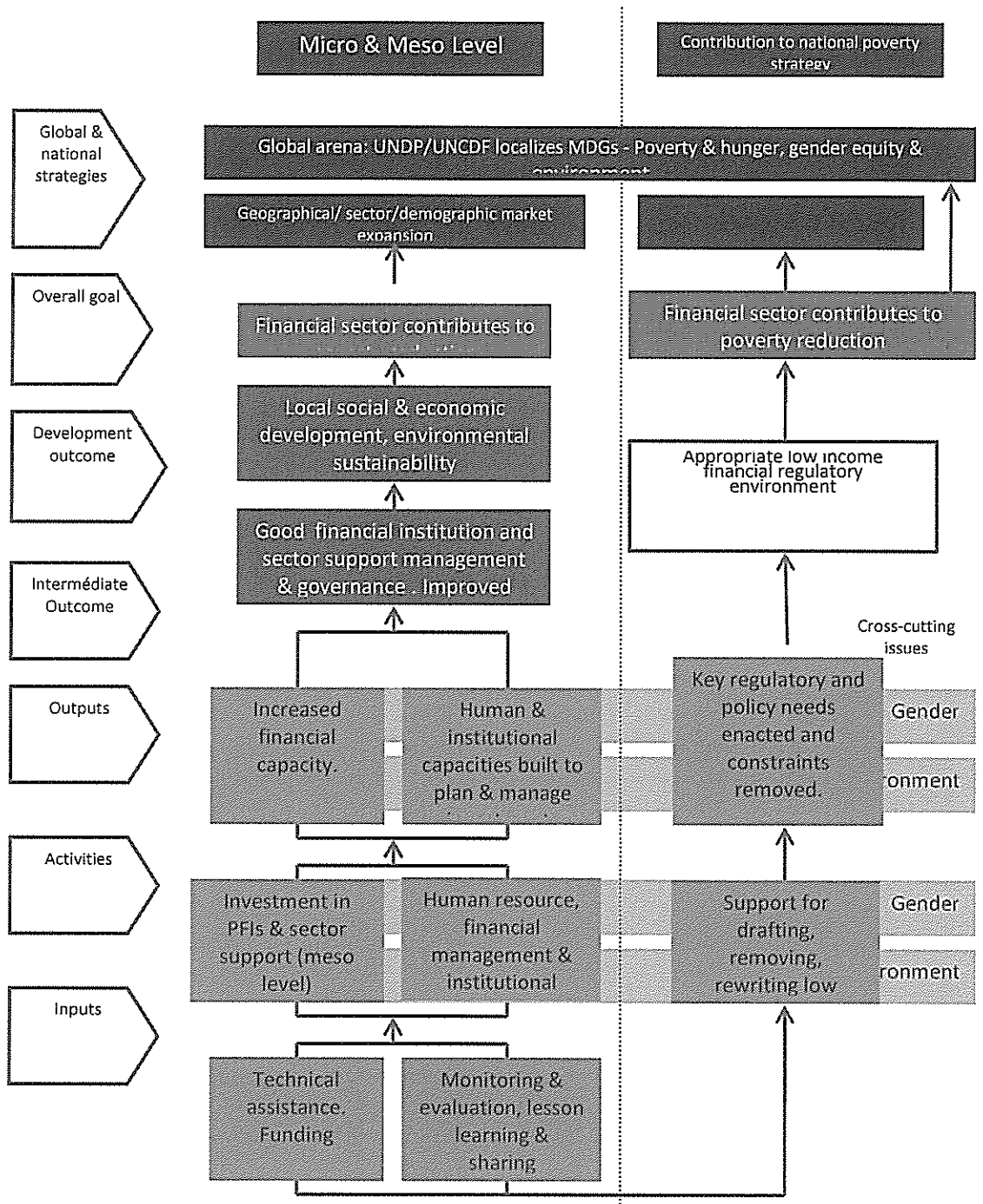
UNDP/UNCDF takes a sector development approach to micro finance that supports governments and stakeholders in building a common vision for the development of the industry.⁵ An early step is to conduct an assessment of the financial services' sector and identify the impediments or gaps at various levels, including: legal, regulatory or policy ("macro" level), financial infrastructure and support services ("meso" level), the retail financial service providers ("micro" level), and the quality and nature of the need and demand for financial services ("client" level). In some cases, IF programmes work with government and other stakeholders to form a national policy or strategy for financial inclusion, so that it may guide stakeholders' work, including UNDP/UNCDF's. At its core, UNDP/UNCDF's primary focus is to build the retail capacity in-country, in order to broaden and deepen financial service providers' outreach. Its primary tool is catalytic investment (grants, loans or loan guarantees) to MFIs and other FSPs that serve low income households. UNCDF's goals for all of its financial service partners is to mature, and become self-reliant while offering appropriate and affordable products to low income households. Relative to other donors, UNCDF puts a greater emphasis on institutions in the start-up and growth phase where it believes that its investments can have a greater impact. The intention is that thereafter, the growth dynamic within the micro finance is consolidated and integrated into the mainstream financial sector.

The intervention logic/development hypothesis underlying UNDP/UNCDF's approach is that improvements in the enabling environment for inclusive finance, supported by catalytic investments in Financial Service Providers and supporting industry infrastructure, will strengthen the micro-finance sector to the point where it is self-reliant and able to attract deposits and loans that impel a sustainable growth process in the industry.

The intervention logic for the inclusive finance sector is illustrated in the figure below.

⁵ UNCDF (2009) Corporate Management Plan 2010-2013. Pp. 7-8.

Figure 1: The IF intervention logic



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

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

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

9. Evaluation Framework

The evaluation framework is based on the intervention logic described above. It sets out the chain of anticipated effects brought about by the programme's intervention. The framework traces the effects of the intervention from inputs to outputs, through outcomes and impacts, distinguishing the different areas of capacity building and service delivery. It traces how experience gained in the local arena informs replication, policy reform and national roll-out of the programme. It also shows how experience in the country relates to UNDP and UNCDF's country and global objectives and informs future strategy debate.

It is important to note that the while the SPIRE framework lays out the overall intervention logic, the evaluation does not have the ambition to assess whether projects have achieved outcomes or impacts. The methodology confines itself to responding to efficiency, effectiveness and relevance and likely sustainability concerns, as defined in the Assessment Matrix.

10. Contents and Scope of the exercise

Taking into account the implementation status of the programme and the resource disbursements made to date, the assessment team will assess the performance of the project in terms of the eight questions included in the matrix for inclusive finance (**attached in Annex 5**) and reproduced below:

SPIRE Questions for Inclusive Finance	Corresponding UN Evaluation Criteria
Question 1: To what extent does the programme design meet	

UNCDF's Inclusive Finance intervention logic and meet the needs of the partner country?	Relevance
Question 2: To what extent has the programme contributed to increased Financial Service Providers/Sector Support Organizations/Government Agencies institutional capacity?	Efficiency and Effectiveness
Question 3: To what extent has the programme contributed to improved access to appropriate low income person's financial services?	Effectiveness
Question 4: To what extent has the programme enhanced the market for IF services?	Effectiveness
Question 5: To what extent is the programme likely to result in financially viable (i.e. sustainable) FSPs/SSOs in the longer-term, independent of external assistance of any kind?	Sustainability
Question 6: How effective has the management of the IF programme been?	Efficiency
Question 7: How well have partnerships with donors and governments supported the programme?	Efficiency and Effectiveness
Question 8: To what extent were piloted approaches conducive to regulatory/policy/strategy developments in the Inclusive Finance area	Effectiveness

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

Each of the eight questions includes sub-questions (see Annex 5), which guide evaluators in what aspects of project performance they should be focusing on during their work. These sub-questions also include indicators, data collection methods and information sources, which should be used as a means to answer the overall evaluation question.

The eight questions will remain the same for other inclusive finance evaluations in order to ensure comparability of results over a sample of different projects.

That said, the evaluation team should feel free to propose alternative sub-questions, indicators and data collection methods to fit the project in question. In choosing these sub-questions and indicators, the team should feel free to refer, where appropriate, to the indicators included in the Results and Resources Framework.

These changes should be presented as part of the Inception Report and agreed by the Evaluation managers before the start of the in-country phase.

In addition to the eight key evaluation questions outlined under section 12.1 and Annex 5, the evaluation team will also assess specific issues relevant to the project as follows:

- **Number of clients reached:** The project reached around 150,000 clients as of April 2011. However field observations and conversations with clients and MFIs suggest that institutions serve the same clients, i.e. one client will have multiple loans in a number of MFIs the project partners with. EAFS project considers a new client the one that was previously unbanked but has now accessed financial service, while partners view new clients as any client that has previously not been the client of the MFIs. The evaluation, to the extent possible needs to look at this issue and verify whether project claims on reached numbers are well founded.
- **Direction on the way forward:** The evaluation should also be forward-looking – providing recommendations for the future direction beyond the life of the current project. What should the second phase focus on, what should its structure be?

11. Steps and Sequence

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

11.1 Inception Phase

- Partners consultations and briefing: The team leader will be briefed prior to the fieldwork by the UNCDF Asia-Pacific Regional Office and the UNDP Evaluation Advisor in Nepal.
- Desk review of relevant documentation: A list of key reference documents is provided in **Annex 2**.
- Inception Report: the team leader will produce a brief report which outlines the intervention logic relevant to the country project/programme being assessed within the context of the overall development hypothesis set out above, any modifications to the sub-questions contained in the Assessment Matrix and preliminary conclusions reached from the review of documentation. Updated timeline for deliverables will be also be included.

11.2 In-country phase

- Hypothesis workshop conducted by the team leader with the rest of the team to ensure common approach to the evaluation process.
- Finalization of work plan: the team will review the draft workplan (**Annex 3**) with the Programme Officer/in-country evaluation support team and make any adjustments they see fit, taking into account practical and logistical considerations.
- In-country briefing: The Team will be briefed on the first day of the mission by programme stakeholders. Where feasible, the team should meet with the Advisory Group that has been set up to support the evaluation process.
- Fieldwork: Conducted in the capital and locations where supported MFIs are based. As far as possible, the Evaluation Team should discuss findings with beneficiaries and stakeholders at each stage of the review and obtain their feedback.
- Findings are shared with the in-country UNCDF and UNDP teams prior to the national debriefing.
- Preparation for National debriefing - Power Point presentation: On the basis of its findings, the Review Team will prepare an *PPT*, which will be shared, through the in-country review focal point, with all key stakeholders as a basis for discussion.

11.3 Debriefing

- National Debriefing: At the meeting, the team will present their key findings and

recommendations to key stakeholders for discussion. The minutes of the meeting will be taken by the Programme Officer/in-country support team and submitted promptly to the evaluation team and all key stakeholders for their consideration in drafting the final report.

- **Draft report and Summary:** The evaluation team will submit a Draft evaluation report and Evaluation Summary to the evaluation manager, which will circulate the draft to all key stakeholders for written comment
- **Global Debriefing:** A final debriefing at the UNCDF Asia-Pacific Regional Office will be provided by the lead consultant. The debriefing will be chaired by the UNCDF Asia-Pacific Regional Office and UNDP Regional Bureaux and other stakeholders will also be invited to attend. The UNCDF Regional Office will be responsible for the minutes of the debriefing, which will be submitted promptly to the evaluation team for consideration in finalizing the evaluation report and summary.

11.4 Report Finalization Phase

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

11.5 Management Response Phase

Management Response: Management of the UNCDF Inclusive Finance practice area will be responsible for facilitating the formulation of a Management Response to the findings and recommendations by relevant stakeholders **within 30 working days** of receiving the final report.

The Management Response will be submitted to the UNCDF Deputy Executive secretary for clearance and then noted by the Executive Secretary. The completed Management Response will be uploaded into the UNDP ERC database by the UNCDF Evaluation Unit, together with the completed report. Progress in terms of implementing action agreed to in the Management Response is the responsibility of the Director of the Inclusive Finance practice area.

11.6 Deliverables

The evaluation team leader is responsible for preparing and submitting the following deliverables:

- An **Inception report** is prepared and shared with the evaluation manager and other key stakeholders prior to the fieldwork
- **Power Point Presentation:** A summary of key evaluation findings and recommendations prepared towards the end of the evaluation and submitted to the project secretariat and the evaluation manager before the Evaluation Consultation Meeting.
- **Draft Evaluation Report:** The lead consultant is responsible for consolidating the inputs of team members, and taking into consideration comments received at the in-country evaluation consultation meeting, to produce a coherent Draft Evaluation Report and Evaluation Summary, according to the format in **Annex 4**.
- **Final Evaluation Report and Management Response:** Based on comments received on the Draft Evaluation Report, and at the global evaluation debriefing, the evaluation team leader will finalise the evaluation and summary, with input from other evaluation team members, as required, and submit the Final Evaluation Report and Summary to the evaluation manager within

- five days of the receipt of the minutes of the global evaluation debriefing, or by the agreed date.
- **Evaluation Summary**: as described in Annex 6

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

12. Composition of Evaluation team

The evaluation team will comprise of **two national consultants (Team Members)** and **one international consultant (Team Leader)**.

12.1 Profile specifications for Evaluation Team Leader

- Experience leading evaluations of Micro-finance programmes, including experience using a range of qualitative and quantitative evaluation methodologies to assess programme results at individual/household, institutional, sector and policy level.
- Minimum of ten years accumulated experience in microfinance
- A minimum of five years of microfinance management and/or consulting experience
- Must have evaluation experience in microfinance
- Extensive microfinance training and technical assistance experience
- Comprehensive knowledge of CGAP benchmarks and industry best practices
- Advanced report writing skills
- Experience at the country wide sector level/understanding of building inclusive financial sectors, preferably in Asia

Responsibilities

- Documentation review
- Leading the evaluation team in planning, conducting and reporting on the evaluation.
- Deciding on division of labour within the evaluation team
- Use of best practice evaluation methodologies in conducting the evaluation
- Leading presentation of the draft evaluation findings and recommendations in-country
- Conducting the debriefing for UNCDF HQ and regional staff
- Leading the drafting and finalization of the evaluation report

ANNEX

Annex 1: Roles and responsibilities of key actors in the evaluation process

<p>Evaluation Commissioner: UNCDF Regional Offices</p>	<ul style="list-style-type: none"> - Proposes mid-term or final evaluations of selected projects ‘in critical areas of relevance’ to the two UNCDF practice areas of local development and inclusive finance - Ensures that adequate funding and human resources are provided for the evaluation - Oversees the overall conduct of the evaluation - Takes responsibility for applying the findings of the evaluation appropriately
<p>Regional Office Evaluation Manager (with the support of Regional Office colleagues and the Evaluation Unit in NY as appropriate)</p>	<ul style="list-style-type: none"> - Assumes overall responsibility for the management of the evaluation, taking care to safeguard the independence of the exercise; acts as Focal Point for all communication between the Team Leader and UNCDF - Oversees the development of the evaluation Terms of Reference - With the support of the regional office, HQ Evaluation Unit and the Project Officer where appropriate, manages the selection and recruitment of the external evaluators - With the support of the PO and programme staff, ensures that the evaluators are provided with the necessary qualitative, quantitative and financial data and documentation - Organises a briefing session with the Team Leader at the start of the inception period, involving key stakeholders where applicable - Ensures liaison with and support to the Reference Group at all stages of the evaluation process - Reviews the inception report and draft evaluation report(s) ; approves the final evaluation report according to UN norms and standards [see attached UNEG Quality Grid] - Ensures that the content of the recommendations in the management response represents the main conclusions in the evaluation report
<p>Evaluation Reference Group</p> <ul style="list-style-type: none"> - Chief Technical Advisor or Team Leader from the project being evaluated - UNCDF Regional Technical Advisors and Portfolio Manager - Representative of UNDP (if applicable) - Representatives from government counterparts, other key stakeholders as applicable ((to be selected on the basis of recommendations of RO and project Technical Advisors): 	<ul style="list-style-type: none"> - Provide comments on the Terms of Reference and the Evaluation Inception Report if so desired - Suggest members for the Evaluation Reference Group - Participate in meetings with the evaluators during the country phase - Provide comments on the draft report and final reports - Participate in debriefings of evaluation results <p>Once the report has been finalised, the project team together with the Technical Advisors in the Regional Office complete the ‘Management Response’ for submission to HQ.</p>
<p>UNCDF Country Project Officer or CTA (where necessary)</p>	<ul style="list-style-type: none"> - Draws up an agenda of meetings for the evaluators with key project stakeholders - Supports the evaluation team for all logistical matters (hotel reservations, transport, drivers, and visits to the project sites) - Organises the end-of-country-phase debriefing to the reference group, and a telephone debriefing to key regional and HQ stakeholders once the draft report has been submitted; writes up minutes of the telephone debriefing
<p>Evaluation Team Leader</p>	<p>Fulfils the contractual arrangements in line with UNEG norms and standards and ethical guidelines.</p>

Annex 2: Indicative documentation list

(1) DOCUMENTS

Documentation will include, at minimum:

- Copy of original signed Project/Programme document
- Copies of any substantive project document and budget revisions
- Annual work plans, progress reports (Management Information System reports) and financial reports
- Programme Audit Reports
- Documentation, guidelines, studies produced by programme: Stocktaking Report (2011); 2nd Quarter PEB Report 2011 (22nd June 2011); project note (2011); Draft Operational Manual (2010); Signed Performance Based Agreements; Ratings Report (May 2011); 2nd Quarter Management Report (May 2011); Draft List of SCGs (2010); Report of pilot testing SCG rating tool (Dhankuta, October 2010); Report of Orientation on SCG rating Tools (Nepalgunj, December 2010); National Interaction Workshop Report (September, 2010); Quarterly progress reports of partners; quarterly progress review meeting reports; field visit reports (various dates); Approved annual work plan and quarterly work plan including budget (various dates)
- UN Common Country Assessment and UN Development Assistance Framework for the programme country
- UNDP/UNCDF Strategic Results Framework

(2) Other relevant Non-UNCDF Documents

Documents prepared by the Government, national stakeholders and other international and national stakeholders of value in terms of preparing the team with relevant background should be listed here.

- AN EVALUATION OF THE RURAL MICROFINANCE DEVELOPMENT CENTRE AS A WHOLESALE
 - Proposed Sector Development Program Cluster of Loans, Asian Development Fund Grant, and Technical Assistance Grant Nepal: Rural Finance Sector Development Cluster NEPAL
 - COUNTRY STRATEGY PAPER 2007-2013 APRIL 2010 European External Action Service http://eeas.europa.eu/nepal/index_en.htm;
 - WB FINANCIAL SECTOR STUDY, October 16, 2002 Private Sector Finance Division ;SASFP South Asia Region ; Report Number: 24959-NEP
 - Micro-Finance Act 2066
 - State of Microfinance in Nepal;June, 2009 Rural Microfinance Development Centre Ltd. Putalisadak, Kathmandu Nepal
 - MICROFINANCE SUMMIT 2010 NEPAL : ROLE OF STATE FOR THE DEVELOPMENT OF MICROFINANCE SECTOR (Draft for Discussion) ; Nara Hari Dhakal Project Coordinator/Rural Finance Sector Specialist Rural Finance Sector Development Cluster Programme , Ministry of Finance Singha Darbar, Kathmandu, Nepal January 2010
 - Three Year Plan approach Paper (has a chapter on Agriculture Credit, Rural Credit and Micro-finance)
 - The Three Year Plan document is also ready (but only in Nepali) The Budget Speech 2011

Annex 3 – TEMPLATE FOR WORK PLAN PREPARATION - Draft

Activities	Number of days	Proposed date and duration
1. National consultants ready		<i>Third week of September</i>
2. Team Leader arrive	<i>First Week of November</i>	<i>October 31</i>
3. Preparation for evaluation - Internal meeting of evaluation team to: <ul style="list-style-type: none"> • Review documentation • Preparatory meeting with NPD, NPM, ACD/ UNDP,CTA, Programme Officer / programme staff • Refine and agree evaluation methodology, • Discuss division of labour, etc 	<i>3 days</i>	<i>November 01-03</i>
4. Final planning meeting of evaluation team <ul style="list-style-type: none"> • Briefing to the board members • Security Briefing 	<i>1 days</i>	<i>November 03- 04</i>
5. Inception report with detail agreed plan	<i>2 days</i>	<i>November 05-06</i>
6. Meetings (stakeholders and MFIS) in ktm	<i>2 days</i>	<i>November 07-08</i>
7. Field visit	<i>5 days(9-13) east</i> <i>5 days (15-19) west</i>	<i>November 09-19</i>
8. Preliminary report writing and sharing Power Point Presentation	<i>3 days</i>	<i>November 20-22</i>
9. Workshop with partners (national Debriefing)	<i>1 day</i>	<i>November 23</i>
10. Refinement of the report	<i>2 days</i>	<i>November 24-25</i>
11. Sharing of the first draft (Draft Report submission to the Evaluation manager)	<i>1 day</i>	<i>November 27</i>
12. Feed back/ comments incorporation	<i>2 days</i>	<i>15 December</i>
13. Global De- briefing	<i>1 day</i>	<i>16 December</i>
13. Final report submission	<i>2 days</i>	<i>20th December</i>

Annex 4: Format for Final Evaluation Report

Length: To better support use of the evaluation, the report should not exceed 40 pages, plus annexes.

Table of Contents

Basic Geographic and Demographic Data

Programme Data Sheet

Acronyms and Abbreviations

1. Executive summary
2. The Evaluation
 - Framework of the Evaluation
 - Scope and Objectives of the Evaluation
 - Evaluation Methods and Limitations
3. Country Context
4. Programme Profile
 - Programme Description
 - Programme Status
 - i. Implementation
 - ii. Financial Data
5. Evaluation Findings as per the 8 evaluation questions
6. Conclusions and Recommendations
 - Conclusion 1
 - Recommendation 1

Conclusion 2

Recommendation 2

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Annex 1: Terms of Reference

Annex 2: Bibliography

Annex 3: List of Persons Met/Interviewed

Annex 4: Final Mission Plan

Annex 5: Total Programme Expenditure

Annex 6: Management Response Matrix

Annex 7: Evaluation Matrix filled out with analysis from evaluation mission

Annex 5: Evaluation Matrix for the Inclusive Finance sector

EVALUATION QUESTION No. 1: DESIGN & RELEVANCE				
To what extent does the programme design meet UNCDF's Inclusive Finance Intervention logic and meet the needs of the partner country?				
Sub-questions	Indicators	Data Collection Methods	Information Sources	
1.1	To what extent does the programme meet the needs of the partner country?	<ul style="list-style-type: none"> ▪ Consistency between the goals, intervention logic and principles of the programme and those of the recipient country's relevant national strategy document ▪ Degree of embedment of programme into existing national framework / no evidence of a parallel programme structure ▪ Degree to which programme addresses gaps not filled by others 	<ul style="list-style-type: none"> ▪ Document analysis ▪ Interviews 	<ul style="list-style-type: none"> ▪ National Government, Policy documents, other strategy document
1.2	How does the programme design correspond to UNCDF's IF intervention logic?	<ul style="list-style-type: none"> ▪ Consistency between programme design and UNDP/UNCDF's standard IF programme ▪ Degree to which UNDP/UNCDF intervention provides additionality to sector development ▪ Degree to which intervention logic employs UNDP/UNCDF's competitive advantage (i.e., catalytic capital) 	<ul style="list-style-type: none"> ▪ Document analysis ▪ Interviews 	<ul style="list-style-type: none"> ▪ UNDP/UNCDF documents and guidelines ▪ UNDP/UNCDF staff and government officials, and representatives of other UN agencies ▪ Other partner donors
1.3	How well is the programme integrated into the Country Programme Action Plan (CPAP) and UN Development Assistance Framework (UNDAF)?	<ul style="list-style-type: none"> ▪ Degree of explicit/implicit integration of UNDP/UNCDF's development-related projects within CCA/UNDAF 	<ul style="list-style-type: none"> ▪ Document analysis ▪ Interviews 	<ul style="list-style-type: none"> ▪ UNDP/UNCDF documents and guidelines ▪ UNDP/UNCDF staff and government officials, and representatives of other UN agencies
1.4	To what extent is the programme aligned with government financial sector development plans?	<ul style="list-style-type: none"> ▪ Degree of consistency between the programme's interventions and national legislation and strategy for financial inclusion ▪ Programme design has taken into account sector's development/ absorption capacity and context 	<ul style="list-style-type: none"> ▪ Document analysis ▪ Interviews 	<ul style="list-style-type: none"> ▪ Financial Sector law and regulations ▪ Superintendency of Banks and or Central Bank ▪ Ministry of Finance/Planning ▪ IF sector associations & institutions ▪ Donors

EVALUATION QUESTION No. 1: DESIGN & RELEVANCE			
To what extent does the programme design meet UNCDF's Inclusive Finance intervention logic and meet the needs of the partner country?			
Sub-questions	Indicators	Data Collection Methods	Information Sources
1.5 To what extent is the programme owned (buy-in) by the government and/or Central Bank and/or Bank Superintendence?	<ul style="list-style-type: none"> ▪ Degree of involvement of the government and/or Central Bank and/or Bank Superintendence in programme design, and implementation. ▪ Level of HR and Institutional Capacity 	<ul style="list-style-type: none"> ▪ Interviews ▪ Document analysis 	<ul style="list-style-type: none"> ▪ PSU ▪ Financial Service Provider (FSP) and Sector Service Organization (SSO)
1.6 Where is the demand among the stakeholders for IF, what are their interests and concerns? To what extent does the programme meet the needs of the finance sector (e.g., fill gaps and overcome constraints for growth given the national/market context)?	<ul style="list-style-type: none"> ▪ Micro level – FSP & client level needs ▪ Meso level – inclusive financial sector infrastructure needs (e.g., credit bureaus, sector associations, Micro Finance Bankers Associations, Micro Finance associations etc.) ▪ Macro level – national regulatory, policy and program level. 	<ul style="list-style-type: none"> ▪ Document analysis ▪ Interviews 	<ul style="list-style-type: none"> ▪ National financial Law and regulations ▪ Ministry Finance (or responsible ministry) ▪ Nepal Rasta Bank ▪ IF sector associations & institutions ▪ Donors
1.7 To what extent is the programme owned (buy-in) at FSP/SSO level (e.g., sector associations, credit bureaus, information providers, consultancies etc.)?	<ul style="list-style-type: none"> ▪ Degree of participation of appropriate FSPs/SSOs 	<ul style="list-style-type: none"> ▪ Interviews ▪ Document analysis 	<ul style="list-style-type: none"> ▪ PSU ▪ FSPs/SSOs
1.8 How well has the programme integrated cross cutting issues given programme objectives?	<ul style="list-style-type: none"> ▪ Evidence that the programme design address the issues of participation of institutions and promotion of gender ▪ Evidence that the programme design makes consideration of environment themes 	<ul style="list-style-type: none"> ▪ Document analysis ▪ Interviews 	<ul style="list-style-type: none"> ▪ Relevant beneficiary FSPs, and government institutions
1.9 To what extent was a phasing out strategy incorporated in programme design?	<ul style="list-style-type: none"> ▪ Number of indicators in the original logical framework ▪ FSPs/SSOs were involved upstream in the drawing up of UNCDF's programme, its implementation and its evaluation ▪ Identification of organizations required to continue sector building work after end of programme (if deemed required) 	<ul style="list-style-type: none"> ▪ Document analysis ▪ Interviews 	<ul style="list-style-type: none"> ▪

EVALUATION QUESTION No. 1: DESIGN & RELEVANCE		To what extent does the programme design meet UNCDF's Inclusive Finance intervention logic and meet the needs of the partner country?		
Sub-questions		Indicators	Data Collection Methods	Information Sources
1.10	What should have been FIF as per the spirit of the project document; the sustainability of NRB's current perception (i.e. EAFS = FIF).	<ul style="list-style-type: none"> ▪ Documentation on FIF 	<ul style="list-style-type: none"> ▪ Document analysis ▪ Interview and discussions 	<ul style="list-style-type: none"> ▪ UNDP ▪ UNCDF ▪ NRB ▪ senior project staff
1.11	What is the advantage/disadvantage of implementing the IF sector-wide approach (such as EAFS) versus theme approach given the climate in Nepal	<ul style="list-style-type: none"> ▪ 	<ul style="list-style-type: none"> ▪ 	<ul style="list-style-type: none"> ▪
EVALUATION QUESTION No. 2: CAPACITY BUILDING		Question 2. To what extent has the programme contributed to increased Financial Service Providers/Sector Support Organizations/Government Agencies Institutional capacity?⁶		
Sub-questions		Indicators	Data Collection Methods	Information Sources
2.1	Do implemented investments correspond to FSPs/SSOs priorities and needs?	<ul style="list-style-type: none"> ▪ Degree of correspondence between FSP/SSO business (development) plan, budget and actual investments (TA and Capital) 	<ul style="list-style-type: none"> ▪ Business plan reviews ▪ Interviews 	<ul style="list-style-type: none"> ▪ Programme documents ▪ Programme start up documents ▪ FSPs ▪ SSOs
2.2	To what extent has the programme contributed to increased institutional capacity at FSP/SSO governance level?	<ul style="list-style-type: none"> ▪ Composition of Board Directors ▪ EAFS Operational manuals in place ▪ Training for Board of Directors and the PISU 	<ul style="list-style-type: none"> ▪ Interviews ▪ Manuals 	<ul style="list-style-type: none"> ▪ Board and Management Interviews ▪ EAFS operational Manuals

⁶ For this section, some questions and sub questions apply only to FSPs, while others to SSOs and government agencies (GAs) and are marked as such. Not all programs will have significant GA or SSO activities.

EVALUATION QUESTION No. 1: DESIGN & RELEVANCE
 To what extent does the programme design meet UNCDF's Inclusive Finance intervention logic and meet the needs of the partner country?

Sub-questions	Indicators	Data Collection Methods	Information Sources
2.3 How well has the IF programme strengthened human resource management capacities of FSPs/SSOs/Government Agencies (GAs)? ⁷	<ul style="list-style-type: none"> ▪ Organisation chart ▪ Clear division of roles (human resources, well written job descriptions,) ▪ Human resource manuals / procedures / tools in place and their quality ▪ Decision-making processes and procedures established and accepted ▪ Regularity of report-back meetings ▪ Regularity and quality of written reports ▪ CGAP Appraisal and /or CAMEL management indicators 	<ul style="list-style-type: none"> ▪ CGAP Appraisal (light version of sample FSPs/SSOs institutions) ▪ Analysis of FSP data collected by project ▪ Interviews ▪ Analysis of PSU records 	<ul style="list-style-type: none"> ▪ Organisation charts, manuals, procedures ▪ Project Executive Board (PEB) meeting minutes ▪ Strategic planning documents ▪ Management progress reports (monthly, quarterly, annual) ▪ Records from PMU
2.4 To what extent has the programme contributed to the strengthening of the financial capacity at FSPs/SSOs?	<ul style="list-style-type: none"> ▪ Capital adequacy & liquidity ratios ▪ Diversification of funding sources ▪ Cost of capital ▪ Financial management capacity (e.g., number of dedicated financial management personal etc) 	<ul style="list-style-type: none"> ▪ CGAP Appraisal (light version of sample FSPs institutions) ▪ Analysis of FSP/SSO data collected by project ▪ Analysis of SSO financial strength ▪ Interviews of staff 	<ul style="list-style-type: none"> ▪ FSP/SSO financial data (audited/unaudited) ▪ PSM collected FSP/SSO data ▪ Government collected FSP/SSO data (if available)
2.5 To what extent are the FSPs providing appropriate opportunities to women?	<ul style="list-style-type: none"> ▪ Women in Senior Management Positions, including Board ▪ Percent Women of FSP staff 	<ul style="list-style-type: none"> ▪ Interviews ▪ Document analysis 	<ul style="list-style-type: none"> ▪ FSP/SSO Board and Management ▪ FSP indicators on women clients
2.6 To what extent are FSPs/SSOs aware of existing environmental finance regulations (if any), environmental risks to portfolio and/or significant environmental impacts due to financing activities?	<ul style="list-style-type: none"> ▪ Degree to which environmental factors apply ▪ Policies in place ▪ Performance M&E indicators in place at SSO/FSPs 	<ul style="list-style-type: none"> ▪ Interviews ▪ Documents 	<ul style="list-style-type: none"> ▪ FSP/SSO records ▪ Board and Management Interviews ▪ GA records and interviews

⁷ Sector Support Organizations are those found at the meso level or between financial institutions and national financial regulators. They provide invaluable infrastructure for the viable functioning of a sound financial sector, generally, and an inclusive financial sector, specifically. Example SSOs include credit bureaus, microfinance sector associations, consumer finance education organizations, consumer finance protection organizations, tax and legal firms specializing or with specialization in inclusive finance, information technology firms, consultants, etc.

**EVALUATION QUESTION NO. 3&4
DELIVERY**

Question 3&4: To what extent has the programme contributed to improved access to appropriate low income person's financial services and enhanced the market for IF services?

	Sub-questions	Indicators	Data Collection Methods	Information Sources
3.1	To what extent do services meet the needs of low-income clients?	<ul style="list-style-type: none"> ▪ Increase in number of low-income clients (the demand for services) ▪ Product design appropriate to the needs of the poor <ul style="list-style-type: none"> • Low balance/credit limits • Terms & conditions conducive to income cycles? • Clear & transparent pricing • Geographically accessible ▪ SSO service offering, usefulness, quality to supporting FSPs 	<ul style="list-style-type: none"> • Interviews • Document/data analysis 	<ul style="list-style-type: none"> ▪ Quarterly Outreach and Performance Reports ▪ FSP/SSO interviews, ▪ FSP/SSO product and client data (sample FSP/SSOs service offerings) ▪ PSU data ▪ Client interviews ▪ Government data
3.2	To what extent has FSPs product and service offering improved?	<ul style="list-style-type: none"> • Existence of new FSP products and services • Improvements in FSP products and services • Improved access by women/minorities to FSP products and services (is design appropriate for needs) • SSO service offering's usefulness / quality to support the Inclusive Finance Sector 	<ul style="list-style-type: none"> • Interviews • Document analysis 	<ul style="list-style-type: none"> ▪ PSU data ▪ Quarterly Outreach and Performance Reports ▪ FSP/SSO product and client data (sample FSP/SSOs service offerings) ▪ FSP/SSO interviews
3.3	To what extent are the financial needs of gender being enhanced?	<ul style="list-style-type: none"> ▪ Women as a percentage of active clients ▪ Products appropriate for women 	<ul style="list-style-type: none"> ▪ Interviews ▪ FSP documents 	<ul style="list-style-type: none"> ▪ FSP/Board and Management ▪ FSP indicators on women
3.4	Are new market areas being served?	<ul style="list-style-type: none"> ▪ Extent to which current markets are being served (i.e., market penetration rates) ▪ Growth of outreach / (increase in the number of new poor markets (urban and rural) being developed ▪ Size of overall market being targeted and extent to which the programme is meeting its penetration targets? 	<ul style="list-style-type: none"> ▪ Market penetration estimates ▪ Sample FSP service offerings on geographic basis (i.e., specific areas covered, number of clients by product type) 	<ul style="list-style-type: none"> ▪ FSP/SSO interviews ▪ FSP/SSO product and client data ▪ PSU data ▪ Government data ▪ Sector data (CGAP, MIX, etc)

EVALUATION QUESTION No. 3&4 DELIVERY			
Question 3&4: To what extent has the programme contributed to improved access to appropriate low income person's financial services and enhanced the market for IF services?			
Sub-questions	Indicators	Data Collection Methods	Information Sources
3.5.	What are the gaps in the market that IF can address?	<ul style="list-style-type: none"> ▪ 	<ul style="list-style-type: none"> ▪
3.5	Is there greater competition for the low-income market?	<ul style="list-style-type: none"> ▪ Number of FSPs ▪ Number of FSP branches by relevant geographic areas ▪ Number of products offered 	<ul style="list-style-type: none"> ▪ PSU data ▪ Sample of FSPs ▪ Government
3.6	Are sector SSOs providers being established / supported (e.g. FSP auditors, credit bureaux, FSP associations etc. – if applicable)?	<ul style="list-style-type: none"> ▪ Data analysis. ▪ Programme reports ▪ Interviews 	<ul style="list-style-type: none"> ▪ PSU data ▪ Government ▪ Sample SSOs
3.7	Do SSOs meet the needs of FSPs?	<ul style="list-style-type: none"> ▪ Interviews ▪ Product/service quality assessments 	<ul style="list-style-type: none"> ▪ SSOs ▪ PSU ▪ FSPs ▪ Regulators
3.8	Is the project reaching the bottom of the pyramid; excluded communities among the poor clients?	<ul style="list-style-type: none"> ▪ Data analysis ▪ Data verification at the field 	<ul style="list-style-type: none"> ▪ MFIS

EVALUATION QUESTION No. 5: SUSTAINABILITY			
To what extent is the programme likely to result in financially viable (i.e. sustainable) FSPs/SSOs in the longer-term, independent of external assistance of any kind?			
Sub-questions	Indicators	Data Collection Methods	Information Sources
5.1	To what extent are FSPs/SSOs financially viable (i.e., sustainable) FSPs/SSOs in the longer-term, independent of external assistance?		

**EVALUATION QUESTION No. 5:
SUSTAINABILITY**

To what extent is the programme likely to result in financially viable (i.e. sustainable) FSPs/SSOs in the longer-term, independent of external assistance of any kind?

Sub-questions	Indicators	Data Collection Methods	Information Sources
5.1.1 Is there evidence that FSPs/SSOs maintain financially viable operations after completion of the intervention (or improving trends towards financial viability)?	<ul style="list-style-type: none"> ▪ Market outlook and projections ▪ Number of operationally self sufficient FSPs ▪ Number of financially self sufficient FSPs ▪ FSP access to diverse capital sources, including mobilizing domestic savings 	<ul style="list-style-type: none"> ▪ Assess FSP/SSO reports (annual and internal quarterly/monthly) ▪ Assess business plans ▪ Assess reports to bank regulator (if applicable) ▪ Assess benchmark information on MixMarket 	<ul style="list-style-type: none"> ▪ PSU data ▪ Sample FSP/SSOs data ▪ Government ▪ MixMarket data base
5.1.2 To what extent has the programme improved long-term planning, management, and governance processes at FSP/SSO level?	<ul style="list-style-type: none"> ▪ CGAP Appraisal and /or CAMEL management indicators ▪ Governance improvements (see 2.1.5 above) 	<ul style="list-style-type: none"> ▪ Management interviews ▪ Planning method reviews (e.g., business plans/pro forma projections) 	<ul style="list-style-type: none"> ▪ Sample FSP/SSOs ▪ PSU data
5.2 To what extent is phasing out of sector support incorporated in programme annual work plans?			
5.2.1 Was sustainability incorporated in the programme strategic/annual work plan process?	<ul style="list-style-type: none"> ▪ Number of indicators in the annual work plans and contracts ▪ Work plans approved by governance body ▪ FSPs/SSOs were involved upstream in the drawing up of UNCDF's programme, its implementation and its evaluation ▪ PSU arrangements to steer FSPs/SSOs towards sustainability 	<ul style="list-style-type: none"> ▪ Assessments of planning documents ▪ Analysis of FSP/SSO business plans and reports ▪ Management & PSU interviews ▪ Projected indicators 	<ul style="list-style-type: none"> ▪ Management and PSU interviews ▪ FSP/SSO business plans and reports ▪ Project management and governance documents
5.2.2 Does the intervention design articulate a clear and workable exit strategy for UNCDF?	<ul style="list-style-type: none"> ▪ Mechanisms in place to replace UNCDF ▪ Identification of sector building organizations able to build upon programme work once program is over. 	<ul style="list-style-type: none"> ▪ Analysis of FSP/SSO business plans and reports ▪ Management & PSU interviews ▪ Projected indicators 	<ul style="list-style-type: none"> ▪ Management and PSU interviews ▪ Sector Associations ▪ FSPs
5.2.3 What opportunities exist for EAFS project in the future, what should its focus be?	<ul style="list-style-type: none"> ▪ 	<ul style="list-style-type: none"> ▪ 	<ul style="list-style-type: none"> ▪
5.2.4 What part of the original project design can be implemented in the second phase?	<ul style="list-style-type: none"> ▪ 	<ul style="list-style-type: none"> ▪ 	<ul style="list-style-type: none"> ▪

**EVALUATION QUESTION No. 5:
SUSTAINABILITY**

To what extent is the programme likely to result in financially viable (i.e. sustainable) FSPs/SSOs in the longer-term, independent of external assistance of any kind?

	Sub-questions	Indicators	Data Collection Methods	Information Sources
5.2.5	What is the advantage/disadvantage of implementing the IF sector-wide approach (such as EAFS) versus theme approach given the climate in Nepal	<ul style="list-style-type: none"> ▪ 	<ul style="list-style-type: none"> ▪ 	<ul style="list-style-type: none"> ▪

**EVALUATION QUESTION No. 6:
PROGRAMME MANAGEMENT**

How effective has management of the IF programme been?

Sub-questions	Indicators	Data Collection Methods	Information Sources
6.1 How effectively have programme managers delivered on the annual work plans?	<ul style="list-style-type: none"> ▪ Achievements against targets 	<ul style="list-style-type: none"> ▪ Document analysis ▪ Interviews 	<ul style="list-style-type: none"> ▪ Programme reports, ▪ Work plans ▪ PSU staff ▪ Programme reports, interviews ▪ Central Bank ▪ Bank Supervisor ▪ Governments ▪ PSU ▪ FSPs ▪ SSOs ▪ Other sector stakeholders
6.2 How well are IF sector interests embedded in government institutions (if applicable)	<ul style="list-style-type: none"> ▪ Management arrangements, appointments/secondments 	<ul style="list-style-type: none"> ▪ Documentary ▪ Direct and indirect stakeholder interviews 	<ul style="list-style-type: none"> ▪ Government ▪ PSU ▪ Sector Association ▪ FSPs ▪ SSOs ▪ Programme documents and reports ▪ UNCDF government and other relevant donors' staff ▪ Donors' programs documents and reports ▪ FSPs and SSOs and PSU.
6.3 How well has programme helped align objectives of government departments/ ministries, Central Banks and/or Superintendencies?	<ul style="list-style-type: none"> ▪ Complementary IF policies ▪ Complementary IF projects 	<ul style="list-style-type: none"> ▪ Government Documents ▪ Interviews 	<ul style="list-style-type: none"> ▪ Workload sharing proportional to investment ▪ Clear roles defined and maintained ▪ Efficient joint management and decision making ▪ Satisfactory execution of responsibilities ▪ Satisfactory institutional recognition ▪ Timely and transparent information on available funds ▪ Timely disbursement ▪ Correspondence between information on funds, released and received amounts
6.4 How effectively have program managers managed the interests of all partners (if joint programme is applicable)	<ul style="list-style-type: none"> ▪ Workload sharing proportional to investment ▪ Clear roles defined and maintained ▪ Efficient joint management and decision making ▪ Satisfactory execution of responsibilities ▪ Satisfactory institutional recognition 	<ul style="list-style-type: none"> ▪ Program documents ▪ Interviews with programme stakeholders 	<ul style="list-style-type: none"> ▪ Track studies ▪ Interviews ▪ Document analysis
6.5 How effectively have funds from the programme been transferred to FSPs and SSOs?	<ul style="list-style-type: none"> ▪ Timely and transparent information on available funds ▪ Timely disbursement ▪ Correspondence between information on funds, released and received amounts 	<ul style="list-style-type: none"> ▪ Track studies ▪ Interviews ▪ Document analysis 	<ul style="list-style-type: none"> ▪ UNCDF ▪ FSPs/SSOs

EVALUATION QUESTION (No. 6): PROGRAMME MANAGEMENT				
How effective has management of the IF programme been?				
Sub-questions	Indicators	Data Collection Methods	Information Sources	
6.6 How effectively have technical assistance (TA) services been delivered to FSPs and SSOs?	<ul style="list-style-type: none"> ▪ Timeliness of services ▪ Meeting needs of FSP business plans ▪ Quality of services ▪ Quality of the TSP if applicable 	<ul style="list-style-type: none"> • PSU Document analysis • Interviews • TSP document analysis • Review of TA service contracts and CVs • Review of FSP and SSO business plans • Interviews with FSP, SSO, PSU 	<ul style="list-style-type: none"> ▪ FSP/SSO business plans ▪ Interviews with managers ▪ Interviews with PSU ▪ PSU service contracts/CVs ▪ TA selection decision making process guidelines ▪ PSU project statistics 	
6.7 How effectively have capital and TA investments been managed by the responsible unit (e.g., PSU or third party contractor)?	<ul style="list-style-type: none"> ▪ Detailed and transparent grant/loan application processes ▪ Implementation of projects on time (according to budget) ▪ Existence of investment implementation plan ▪ Detailed best practice due diligence guidelines ▪ Regular inspections of FSP/SSOs business plan progress 	<ul style="list-style-type: none"> ▪ Analysis of funding process ▪ Analysis of application process guidelines and records ▪ Analysis of due diligence processes, guidelines and records ▪ Analysis of funding documentation ▪ Analysis of funding monitoring ▪ Interviews with body responsible for funding, FSPs and SSOs 	<ul style="list-style-type: none"> ▪ PSU ▪ FSPs and SSOs 	
6.8 To what extent has the regional office ensured oversight and guidance functions? (if applicable)	<ul style="list-style-type: none"> ▪ Number of visits ▪ Existence of clear mechanisms / instruments to share information and provide feedback ▪ Sharing of lessons learnt ▪ Responsiveness to requests for TA 	<ul style="list-style-type: none"> ▪ Document analysis ▪ Interviews 	<ul style="list-style-type: none"> ▪ Programme reports, PSU staff, Regional office staff 	
6.9 How well is monitoring and evaluation linked into the needs of the management?	<ul style="list-style-type: none"> ▪ Up to date indicators of project progress, regular and informative reports 	<ul style="list-style-type: none"> ▪ Project Documents ▪ Project meeting records 	<ul style="list-style-type: none"> ▪ Data sources of M&E unit ▪ Project reports ▪ M&E staff and PSU staff 	
6.10 Is M&E data and reporting being used to make strategic decisions about service delivery and for purposes of drawing lessons from experience?	<ul style="list-style-type: none"> ▪ Use of data from M&E to make strategic investment decisions ▪ Use of data from M&E to make technical assistance and capital investments. ▪ Use of data and reports to transmit lessons to local and national policy-makers 	<ul style="list-style-type: none"> ▪ Documents ▪ Interviews 	<ul style="list-style-type: none"> ▪ Data system used by PSU and by M&E unit ▪ M&E reports, interviews with M&E and PSU staff 	

**EVALUATION QUESTION No. 7
PARTNERSHIP AND COORDINATION**

How well have partnerships with donors and governments supported the programmes?

Sub-questions	Indicators	Data Collection Methods	Information Sources
7.1. Has the partnership mobilized additional resources for program implementation / replication?	<ul style="list-style-type: none"> ▪ Evidence of synergies with other programmes as a result of UNCDF's intervention / complementary efforts with relevant initiatives in the sector (related to specific geographic markets or nationally). ▪ Establishment of new donor/government/private sector partnerships established with local market and/or national actors ▪ Leveraging of additional investment funds into the sector (Additional donors' resources ratio to UNCDF; Additional private sector investments in sector traceable to programme; Increased IF sector savings ▪ Up-scaling and replication (Increased client outreach - see measures above 3.7; Number of FSPs in new market areas; Number of FSP products being copied / replicated; Number of SSO copied / replicated) 	<ul style="list-style-type: none"> ▪ Document analysis ▪ Interviews ▪ Sample FSP/SSOs ▪ PSU data 	<ul style="list-style-type: none"> ▪ Programme documents and reports: PSU reports / Quarterly Outreach and Performance Reports ▪ UNCDF and other relevant donors' staff ▪ Donors' programme documents and reports ▪ FSPs and SSOs ▪ PSU ▪ Donors ▪ UNCDF / UNDP
7.2 Has the partnership favoured the harmonization of donor's interests?	<ul style="list-style-type: none"> ▪ Evidence of coordination and partnership arrangements ▪ Pooled funding mechanisms ▪ Sectoral/thematic platforms ▪ Joint national/global initiatives ▪ Evidence of cross-fertilization among programmes 	<ul style="list-style-type: none"> ▪ Document analysis ▪ Interviews 	<ul style="list-style-type: none"> ▪ UNCDF and UNDP staff ▪ PSU ▪ Donors representatives ▪ Donors' programmes documents and reports ▪ Government officials

7.3	<p>Has the partnership enhanced UNCDF positioning and catalytic function?</p>	<ul style="list-style-type: none"> ▪ Effective partnership with UNDP and other key actors in place [e.g. Awareness/appreciation by staff and key stakeholders; evidence/ recognition of value-adding synergies and joint implementation mechanisms] ▪ Effective advocacy mechanisms in place [e.g. degree of generation/diffusion of innovative knowledge; Effective strategic alliances at the corporate level in place] ▪ Degree of recognition of UNCDF's approach and role among partners [Standing of UNCDF within donors community/appreciation by key SH; Alignment/ involvement in implementation of national/ donors strategies/priorities; Opportunities for further engagement/ strategic partnership] 	<ul style="list-style-type: none"> ▪ Document analysis ▪ Interviews 	<ul style="list-style-type: none"> ▪ UNCDF and UNDP staff ▪ Other donors' /partners representatives ▪ Donors' programme documents and reports ▪ Governments officials
7.4	<p>Is there a strong linkage and partnership with UNDP projects that are promoting livelihood activities and creating bankable individuals / groups?</p>	<ul style="list-style-type: none"> ▪ Information on types and number of Groups linked through the project intervention 	<ul style="list-style-type: none"> ▪ Field verification on sample basis ▪ Interviews with clients and MFIs 	<ul style="list-style-type: none"> ▪ MFI ▪ UNDP project partners

**EVALUATION QUESTION NO. 8:
POLICY AND STRATEGY**

To what extent were piloted approaches conducive to regulatory/policy/strategy developments in the Inclusive Finance area

Sub-questions	Indicators	Data Collection Methods	Information Sources
8.1 Are the project's results known and influential among key IF sector stakeholders in the country?	<ul style="list-style-type: none"> ▪ FSPs/SSO organizations opinion ▪ Citations in new standards and guidelines for FSP/SSO management among sample FSPs ▪ Question key stakeholder or decision-makers in the field of IF 	<ul style="list-style-type: none"> ▪ Interviews ▪ Document analysis 	<ul style="list-style-type: none"> ▪ Central Government ▪ Main donors
8.2 Did programme induce policy improvements in the inclusive finance sector? (if relevant/applicable)	<ul style="list-style-type: none"> ▪ Awareness/appreciation of national decision-makers and other key stakeholders ▪ Sectoral reforms initiated/completed ▪ New IF sector appropriate regulations enacted ▪ IF sector appropriate norms and procedures applied Existence of new/addition to existing low-income financial regulatory regime ▪ Quality of low-income regulatory change 	<ul style="list-style-type: none"> ▪ Document analysis ▪ Interviews 	<ul style="list-style-type: none"> ▪ PSU ▪ SSOS/FSPs ▪ National government, policy documents ▪ Ministry of Finance, other relevant ministries and departments ▪ Policy/legal documents ▪ IF regulatory research documents (e.g., from Microfinance Gate Way, etc.)
8.3 To what extent did policy improvements lead to growth or sustainability of the sector?	<ul style="list-style-type: none"> ▪ Clear and efficient regulations ▪ Clear and applicable enforcing mechanisms and rules ▪ Complementary initiatives, i.e. appropriate low-income economic support programmes 	<ul style="list-style-type: none"> ▪ Document analysis ▪ Interviews 	<ul style="list-style-type: none"> ▪ National government representatives (e.g., Ministry of Economic Development, Ministry of Agriculture etc.) ▪ Policy /legal documents, manuals/regulations ▪ Donors and partners representatives ▪ Key sector stakeholders (e.g., academics, investors etc.) ▪ FSPs/SSOS

EVALUATION QUESTION No. 8: POLICY/AND STRATEGY			
To what extent were piloted approaches conducive to regulatory/policy/strategy developments in the Inclusive Finance area			
Sub-questions	Indicators	Data Collection Methods	Information Sources
8.4 Did programs foster governments' commitment towards pursuing the MDGs?	<ul style="list-style-type: none"> • National partnerships. • Public commitments to IF as part of MDG strategies. • IF sector development linked to other government initiatives 	<ul style="list-style-type: none"> ▪ Document analysis ▪ Interviews 	<ul style="list-style-type: none"> ▪ Government strategic plans ▪ Government officials ▪ Donors' representatives

Annex 6 - Format for the Evaluation Summary

This is a 4-5-page summary of the Evaluation Report. This is distinct from the Executive Summary, and should serve as a self-contained summary that may be read without reference to the main report. The Evaluation Summary should follow this outline:

1. Project data sheet
2. Background to the project
3. Description of the project
4. Purpose of the evaluation
5. Key findings of the evaluation mission
6. Lessons learned
7. Recommendations of the mission
8. Evaluation team composition

Annex-2 (a). Persons met / Interviewed

Name	Designation
Persons met at Central Level	
NPC (National Planning Commission)	
Honourable Mr. Dipendra Bahadur Ksherty	Vice-Chairman
Honourable Dr. Siba Kumar Rai	Member
Mr. Yuv Raj Bhusal	Member Secretary
Nepal Rastra Bank (Central Bank)	
Dr. Yuv Raj Khatiwada	Governor
Mr. Gopal Kafle	Deputy Governor
Mr. Maha Prashad Adhikari	Deputy Governor
Mr. Pradeep Raj Panday	National Program Director (NPD)
Mr. Chinta Mani Sibakoti	National Program Manager (NPM)
Mr. JanakAdhikary	Former National Program Manager (Former NPM)
UN	
Mr. Robert Piper	UN Resident Humanitarian Coordinator and UNDP Resident Representative
UNDP	
MsSoko Noda	Country Director
Mr. Jorn Sorensen	Deputy Country Director
Ms. LazimaOnta-Bhatta	Assistant Country Director
UNCDF	
Ms Rojee Joshi	Program Officer
Dr Neil Webster	UNCDF, Advisor, Local Development
Mr. Bruce Pullock	UNCDF, Officer, Local Development
Project Staff	
Ms Ana Klincic Andrews	CTA
Mr. Jhank N. Shrestha	Deputy CTA
Mr. Govinda Bahadur Raut	Program Officer
Poverty Alleviation Fund (PAF)	
Mr. Raj Babu Shrestha	Executive director
DFID (UKaid)	
Mr. NavinDahal	Private Sector development Advisor
IFC (International finance Corporation)	
Ms. AditiShreshta	Associate Operations Officer
ADB (Asia Development Bank)	
Mr. Nara Hari Dhakal	Program Coordinator, Rural Finance Sector Specialist
Mr. Nav Raj Simkhada	Microfinance and Banking Operations Specialist
NEAT	
Mr. Ramesh Kumar Gautam	Microfinance Manager
RMDC (Rural Microfinance Development Center)	
Mr. Shankar Man Shrestha	CEO
EAFS Project Partners met at their headquarters	

mostly in Kathmandu	
Dr. HariharDev Pant	Chairman, NirdhanUtthan Bank
Mr. Sarada Pd. Kattel	CEO of DEPROSC Microfinance Bank
Mr. Puspa Raj Adhikari	Acting Chief Officer, DEPROSC Microfinance Bank
Mr. Yuv Raj Gadtaula	Senior Acting Officer, DEPROSC Microfinance Bank
Mr. Dharma Raj Pandey	CEO, PashchimanchalGrameenBikash Bank (PGBB)
Rajendra B. Pradhan	Executive Director, SOLVE NGO
Ms. Ms. Sabtri Shrestha	Project Coordinator, SOLVE NGO
Ashis Kumar Sharma	Head of Payment Section, Sidhartha Bank Limited (SBL)
Persons met during Field Visit	
JeevanBikasSamaj, Head Office, Biratnagar	
Mr. YogendraMandal	Executive Director
Mr. SanjayaMandal	Deputy Director
Mr. DamodarRegmi	Department Head- Community Development
Mr. Rohit Bhandari	Department Head- Microfinance
Mr. Bharat LalBahardar	Department Head- Human Resource
Mr. Sanjay Kumar Sharma	Branch Incharge
Mr. Ram Chandra Sharma	Field Assistant
Mr. Raj Narayan Das	Regional Manager
Mr. Rajiv Shreevastav	Branch Manager
Mr. PushkarPratapSah	Loan Officer
Mr. Subash Bhandari	Branch Manager
Mr. DevilalNeupane	Trainee Branch Manager
Mr. SantoshAdhikari	Center Manager
Ms. Sangita Sharma	Center Manager
Mr. Lalit Bahadur Khatri	Branch Manager
Ms. Ram Kumari K.C.	Center Manager
Ms. Sarada Devi Regmi	Center Manager
Ms. KhimKumariThapa	Branch Manager
Ms. SitaRanabhat	Center Manager
Ms. DurgaRijal	Center Manager
Mr. DipendraRana	Center Manager
Mr. BiswaPrakasPrasai	Executive Director
Mr. BiswaBandhuPrasai	Department Head- Microfinance
Ms. LaxmiKumariMedhasi	Department Head- Credit Plus Program
Ms. SabitriKhatri	Department Head-Human Resource
Mr. Badri Mishra	Department Head- Internal Audit
Mr. Narayan Prasai	Community Development Department
Mr. SugatPandey	Branch Manager, Kusma Branch
Ms. GumisaraRana	Admin Assistant
Mr. Ram Krishna Acharya	Community Development Department
Mr. PremAdhikari	Community Development Department
Ms. Kalpana Sharma	Community Development Department
Ms. Indra KC	Cooperative Manager
Mr. Shree Ram Chapagain	Center Manager

Ms. HarimayaThapa	Center Manager
Ms. Krishna KumariBhusal	Center Manager
Ms. Durga Sharma	Junior Officer
Ms. LaxmiKunwar	Junior Officer
Mr. DipendraRana	Center Manager
Mr. Madan Raj Joshi	Branch Manager
Mr. SujanPandey	Assistant Unit Manager
Mr. Raj Kumar Bhut	Assistant Unit Manager
Mr. Bhupendra Bhandari	Trainee-Assistant Unit Manager
Mr. BikasRana	Trainee-Assistant Unit Manager
Ms. TulasaDevkota	Branch Manager
Mr. BaburamAacharya	Loan Officer
Ms. LaxmiOli	Field Assistant
Mr. Suddha Raj Budhathoki	Field Assistant
Mr. Ram KajiBhuju	Branch Manager
Mr. Aatma Ram Acharya	Assistant
Mr. Dharma Raj Pandey	Chief Executive Officer
Mr. Teju Ram Pandey	Branch Manager
Mr. Bal Krishna Sapkota	Senior Assistant
Mr. Ambika Prasad Dhital	Senior Assistant
Mr. RajendraPaudel	Senior Assistant
Ms. NirmalaGaudel	Junior Technical Assistant (Veterinary)
Ms. Shanti Basnet	Women Development Facilitator
Ms. Krishna Maya Rijal	Enterprise Development Officer
Mr. DipakAdhikari	District Manager
Mr. ManojKshetry	Field Officer
Ms. Maya Roka Magar	Monitoring and Evaluation Assistant
MFIs Visited	
DEPROSC	
SBL	
SBB	
JBS	
CBB	
MPGBB	
NESDO	
SOLVE	
PGBB	
Nirdhan	

Annex-2 (b). Field Visit sites

No.	Date	Region	District	Partner Organization	Partner Category	Head/Branch Office	Center Address	No. of Clients	Dalit	Janajati	Other	Remarks
1	13-Dec-11	Eastern Development Region	Morang	JeevanBikassSamaj	Strategic	Head Office, Biratnagar	Dumraha-8, Bankuluwa, Center No.: 14					
2	14-Dec-11	Eastern Development Region	Sunsari	JeevanBikassSamaj	Strategic	Branch Office, Balaha	Bankuluwa, Center No.: 14	21	21			Teral Dalit = 21
3	14-Dec-11	Central Development Region	Mahottari	NirhdhanUtthan Bank Ltd.	Strategic	Branch Office, Gausala	Belgachhi -1, Center No.: 3	20	20			Teral Dalit = 20
4	15-Dec-11	Central Development Region	Chitawan	National Educational and Social Development Organization	Strategic	Branch Office, Tandil	Jutpani-4, Saguntole, Center No.: 16	15	3	10	2	Mixed Group
5	16-Dec-11	Western Development Region	Kaski	National Educational and Social Development Organization	Strategic	Branch Office, Nagdanda	Dhikurpokhari-6, Kande, Center No.: 2	26	8	13	5	Mixed Group
6	16-Dec-11	Western Development Region	Parbat	National Educational and Social Development Organization	Strategic	Branch Office, Patichaur	Bajung-3, Kholakhet, Center No.: 15	15	15	0	0	Dalit = 15

7	16-Dec-11	Western Development Region	Parbat	National Educational and Social Development Organization	Strategic	Head Office, Kusma							
8	18-Dec-11	Mid-western Development Region	Pyuthan	ChhimekLaghubittaBikas Bank Ltd.	Strategic	Branch Office, Bijuwar	Bijayanagar-4, Sapdanda, Center No.: 16301	12	7	5	Dalit= 7, Other - 5		
9	18-Dec-11	Mid-western Development Region	Pyuthan	NirdhanUtthan Bank Ltd.	Strategic	Branch Office, Bhingri	Khungri-2, Gairetole, SRG No.: 36	20	6	14	Dalit=6, Janajati=14		
10	18-Dec-11	Mid-western Development Region	Rolpa	Madhya PaschimanchalGrameenBikas Bank Ltd.	Innovative	Branch Office, Sulichaur	Mijhing-7, Sulichaur	2		1			
11	19-Dec-11	Mid-western Development Region	Rolpa	SwabalambanLaghubittaBikas Bank Ltd.	Strategic	Branch Office, Liwang	Hwama-3, Garpa, Center No.: 12	20	10	10	Dalit= 10 &Janjati=10		
12	20-Dec-11	Western Development Region	Rupandehi	PaschimanchalGrameenBikas Bank Ltd.	Strategic	Head Office, Butwal							
13	20-Dec-11	Western Development Region	Nawalparasi	PaschimanchalGrameenBikas Bank Ltd.	Strategic	Branch Office, Chormara	Chormara, Center No.: 2, 4 & 15 Joint meeting					19	Mixed Group

Annex 3 Illustrative Bibliography

Copy of original signed Project/Programme document
Annual work plans, annual and quarterly progress reports, management reports, PEB minutes and financial reports
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