

## Section 3: Terms of Reference (TOR)

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### *UNCDF's Local Finance Initiative - Mid-Term Evaluation*

**Programme name:** Local Finance Initiative

**Countries:** Tanzania, Uganda, and Benin

**Executing Agency:** UNCDF

**Timeframe:** March 2012 – June 2016

**Overall Budget:** USD 8,335,000 (Tanzania – USD 7,071,500; Uganda – USD 1,168,000 and Benin – USD 95,500)

**Funding Agencies:** UNCDF (Core), One UN Tanzania, Non-Core (SIDA)

**Previous evaluation:** None

#### **1. Background:**

##### **1.1. United Nations Capital Development Fund and its Local Development Practice Area:**

The United Nations Capital Development Fund (UNCDF) has a unique mandate within the UN system serving as the UN's capital investment agency for the world's 49 least developed countries. It works in two thematic areas: inclusive finance and local development finance.

UNCDF's work on local development finance aims at ensuring that people in all regions and locations benefit from development. This means dealing with the specific local challenges of, for example, peri-urban areas and remote rural locations. It means re-investing international and domestic resources back into local economies and local services through, for example, fiscal decentralization, climate finance and project finance. UNCDF focuses its efforts towards strengthening public financial management and local revenue, improving the quality and sustainability of public and private investments and promoting accountability at the local level.

UNCDF invests its seed capital and technical assistance to promote increased capital flows to the local level, reducing inequalities, improving services and increasing opportunities for sustainable economic development – all contributing to sustainable and equitable local development. UNCDF does this through innovation and testing in new public and private financial systems that mobilize, allocate and invest additional resources and promote transparency and accountability in their use. A detailed description of UNCDF's approach to increasing the amounts of finance available at the local level can be found here: <http://uncdf.org/sites/default/files/Documents/ldfp-brochure-web.pdf>

##### **1.2 The private sector and the Sustainable Development Goals**

All stakeholders worldwide have recognized the critical role of the private sector in fostering economic growth, poverty reduction, and the attainment of the Sustainable Development Goals ("SDGs") and other internationally agreed development goals. At a time of tight public budgets and the need for local economies to deal with a globalizing world, public funding alone is not a solution; if local development is to be successful and sustainable over the longer term, the private sector needs to be fully mobilized. Yet, despite the commitment of all UN Member States to mobilizing the

private sector in the 2002 Monterrey Consensus and many other initiatives, concrete results on the ground have been insufficient. This was again highlighted at the 2015 Third International Conference on Financing for Development in Addis Ababa and the UN 2015 Sustainable Development Summit in New York. Despite the consensus on the critical role of the private sector, the basic financial, legal and fiscal infrastructure required for private sector development is still widely lacking in many developing countries, arresting private sector development at local and national levels.

The recent global financial crisis has led to additional challenges, given decreases in official development assistance and further reduced availability of finance and risk capital in developing countries. Therefore, the longstanding imperative for mobilizing private sector capital and leveraging limited official sector funds has escalated in importance.

However, private sector capital can be successfully unlocked and mobilized using technical financial structures and instruments that mitigate risk. For example, infrastructure projects in developed countries and some developing countries use the financial approach of non-recourse financing, in which the project is a legal entity with “ring-fenced” revenues that are earmarked for paying debt service. Furthermore, many risk mitigation instruments are already available that have proven successful in leveraging limited official sector support, such as the partial guarantees offered by the World Bank, regional development banks, and many donors such as USAID.

UNCDF is endeavoring to use these financing techniques to mobilize domestic financing for relatively small infrastructure projects that are critical for supporting local economic development and to use these targeted financial interventions hand-in-hand with capacity building mechanisms to empower both government officials and the private sector to scale up local development finance, also improving the business-enabling environment.

### **1.3 UNCDF's Local Finance Initiative:**

One such UNCDF initiative is the Local Finance Initiative (LFI) which was tested initially in Uganda as part of a broader programme supporting local economic development (Uganda DDP III), then rolled out as a stand-alone programme in Tanzania, before being scaled up into a Global Programme in 2014, and was intended to facilitate investment in productive infrastructure at the local level in LDCs, either by local governments or private sector entities in response to the increased demand for productive investment at the local level.

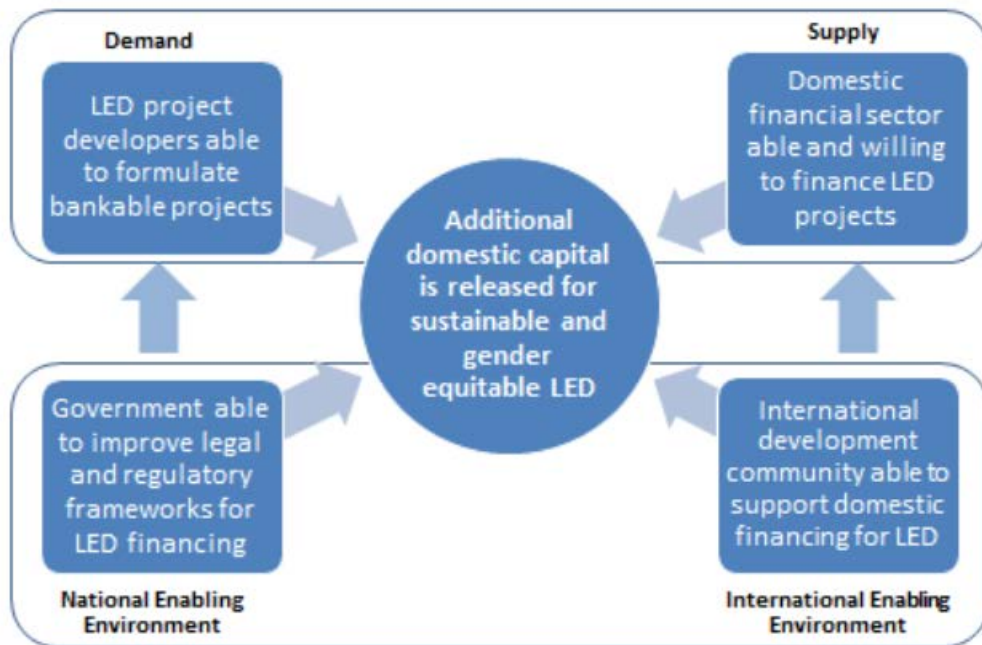
It does so by supporting the private sector and local government authorities to identify, develop and finance small and medium-sized investment projects into productive areas of the economy such as agro-processing, public sector delivery infrastructure, food security, energy and climate through the introduction of methodologies and tools in project finance, SME finance and public/private partnerships to a select group of projects at the planning and financing stages. It is intended that projects that would otherwise be unbankable are de-risked and taken through all the stages of project development to an investment – ready stage where they are capable of accessing commercial capital. The selection of projects is based on i) impact on local communities, ii) potential for commercial viability and iii) the focus of the projects on areas of priority infrastructure at the local level.

The project strategy consists of bringing the supply and demand of financing of local-level infrastructure to an optimal level by reducing perceived risks and transaction costs of financial

services for all LED stakeholders and participants of the finance market. The approach is intended to be systematic and technical in nature, focused on jump-starting the process of mobilizing domestic private sector financial resources in both commercial banks and institutional investors through the selective targeted use of public resources.

The supply side is represented by domestic financial institutions and the demand side is represented by LED project developers which may include private businesses as well as local governments and the non-government sector. Since LED project developers, particularly those dealing with small and medium-scale infrastructure, are unsure about their ability to formulate financially sound and viable projects, the demand for financial services is relatively low. Since domestic providers of financial services are unconvinced about the ability of loan-takers to repay, the costs of providing financial services are high, and supply of such services remains limited.

**Figure 1** : Local Finance Initiative (LFI): Strategy and Approach



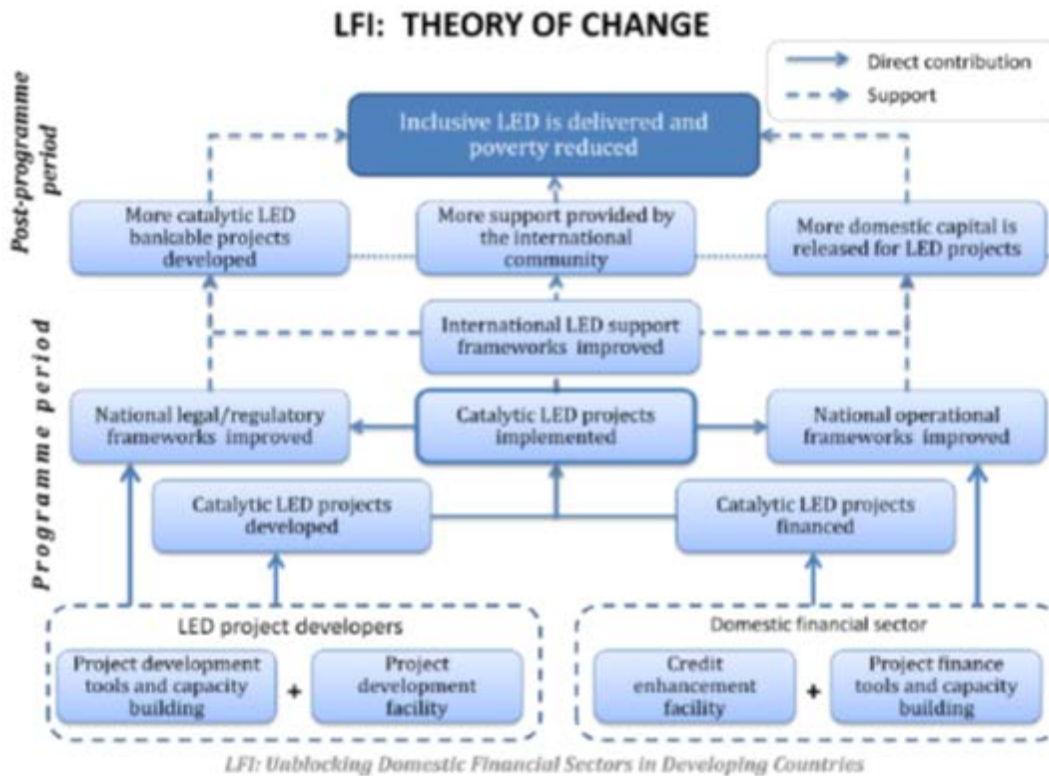
### Programme implementation

The LFI programme is implemented through a number of main programmatic channels against a broader theory of change which is included in Figure 2 below:

1. Project development activities that enable the identification and development of demonstration projects in each LFI country to create “proof of concept’ financing models that facilitate access to the domestic financial sector for investment in strategic, smaller scale infrastructure projects.
2. Finance and credit enhancement facilities to help jumpstart the process of project identification, development and deal/ financing structuring.

3. Capacity-building activities that provide for the training of public and private stakeholders and increase government capacity to facilitate finance, project development, and promote business-enabling environments.
4. Monitoring and Evaluation and general advocacy efforts to profile the programme approach and results with others.

**Figure 2 – LFI theory of change**



In implementing the initiative, LFI works with five major institutional groups engaged in local economic development:

- **LED project developers:** Private businesses, local governments, domestic non-government sector. This includes farmers and SMEs suffering today from a lack of basic industrial infrastructure, such as warehouses, processing plants, cold storage facilities, and traditional infrastructure services (irrigation, energy, transport, etc.).
- **Domestic financial sector and related services:** Commercial banks, institutional investors, such as pension funds, as well as service providers such as public and private credit bureaus, consulting and accounting firms, lawyers and others that are needed to building internal capacity for developing and financing infrastructure projects.
- **National governments:** Ministries and agencies defining development and financial policies and regulatory and operational frameworks, such as ministries of local government, finance,

investment promotion, investment, trade and commerce, government regulators and others.

- **Local governments:** local institutions with a mandate to promote the economic and social development of their territorial jurisdictions
- **International development community:** UN family and Bretton Woods institutions, bilateral development partners, multilateral development agencies and international non-government organizations which provide invaluable technical assistance at the local level.

### **Expected Programme Results**

The various programme documents for the Local Finance Initiatives under review include the following common<sup>1</sup> expected outcomes and accompanying programme outputs:

**Overall programme outcome:** Increase the effectiveness of financial resources for local economic development through mobilization of primarily domestic private capital and financial markets in developing countries to enable and promote inclusive and sustainable local development.

#### **Outcome 1: Improved capacities of public and private project developers to identify and develop small-to-medium sized infrastructure projects essential for inclusive local development in a targeted number of developing countries**

1.1. Processes, methodologies, and enabling tools are designed and introduced to identify and develop infrastructure projects essential for inclusive local development. These include tools, instruments and mechanisms for public - private partnerships, project financing (including non- or limited-recourse project finance and SME finance). This will include the issue of Requests for Proposals from potential project sponsors.

1.2. Local capacity established to enable stakeholders (national and local government officials and the private sector) to identify and develop infrastructure projects essential for local development with support from development partners.

1.3. "Proof of concept" demonstration projects identified, developed and structured in LFI countries to jumpstart process and create a multiplication effect through "learning by doing" and incentivizing stakeholders.

#### **Outcome 2: Increased ability and willingness of the domestic financial sector to provide financing for small to medium-sized infrastructure projects**

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<sup>1</sup> As is typical with new initiatives experimenting with new concepts and implementation mechanisms in international development cooperation, the Local Finance Initiative has taken various programmatic forms since its 'birth' within a broader local development programme in Uganda. Full details of all LFI interventions will be given during the inception phase. For the purposes of this proposal, bidders are invited to consult the LFI – Tanzania Project Document signed in 2012 ([http://www.uncdf.org/sites/default/files/Documents/lfi-t\\_0.pdf](http://www.uncdf.org/sites/default/files/Documents/lfi-t_0.pdf)) which frames the majority of expenditure already spent by the LFI initiative in Tanzania. They should also look at the LFI Global Programme document signed in 2014 ([http://www.uncdf.org/sites/default/files/Documents/prodoccombined\\_0.pdf](http://www.uncdf.org/sites/default/files/Documents/prodoccombined_0.pdf)) and which frames the intended expansion of the LFI approach to multiple countries simultaneously, including Uganda and Benin, which are also the subjects of this evaluation.

2.1: An enabling environment is created that includes tools, instruments and mechanisms that can accelerate finance for local economic development infrastructure. These include appropriate regulations and investment vehicles.

2.2 Local capacity is established to increase the ability of the private sector to finance local development projects with appropriate credit enhancements.

2.3 “Proof of concept” demonstration projects financed to jumpstart the process through “learning by doing” and incentivizing stakeholders in the financial sector to fund small-to medium-size infrastructure projects.

**Outcome 3: Improved enabling environment for domestic resource mobilization in LFI countries enabling the increased leverage of public sector funds – both of the host government and development partners – for private sector financing of catalytic LED projects.<sup>2</sup>**

3.1 Support to improved national policies, legal and regulatory frameworks to encourage domestic resource mobilization for sustainable and inclusive local economic development

3.2 Support to increasing awareness of LFI approaches with host governments and development partners with a view to increasing the leverage of public sector funds for private sector financing of catalytic LED projects.

### **Programme implementation status in each LFI country**

Progress with LFI implementation varies depending on the country:

#### **LFI Tanzania**

Activities under LFI Tanzania began with the signing of the Local Economic Development Finance Initiative for Tanzania (LFI-T) Project Document in June 2012 and continued later under the LFI Global programme. By June 2016, the LFI Technical Team based in Tanzania had provided targeted technical support in the form of early stage project development and financing to over thirty local development projects in its portfolio. A total of \$1.443 million in seed capital grants (equivalent to TZS 3.16 billion) was approved and most disbursed to project developers. Four projects are under construction and expect to be completed by Q4 2016 and three more public service delivery infrastructures are expected to start construction before end of the year.

#### *LFI-T Programme Analysis and Results*

The LFI Programme has reached the following community and business groups, and public and private enterprises with capacity building interventions. Specifically, LFI has:

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<sup>2</sup> While not present formally in the Global LFI document, this result area and accompanying activities do figure prominently in the Tanzania – LFI project document which will make up much of the focus of the current evaluation in view of limited implementation elsewhere. Such activities are also a core element of UNCDF’s work in supporting the scaling up and replication of its work by others in line with its maturity model approach. For more information, please see:

[http://www.uncdf.org/sites/default/files/Documents/lfi-t\\_0.pdf](http://www.uncdf.org/sites/default/files/Documents/lfi-t_0.pdf)

- Continued to provide support to the LFI pipeline of projects supporting the development of business ideas into bankable business projects through technical studies, feasibility studies; and establishing suitable governance structures especially for local government authorities' income-generating investments such as SPVs, PPPs, limited companies, trusts etc. for sustainability.
- Supported the development of productive capacity, value additions (processing) collective marketing and branding for projects within the LFI pipeline.
- Supported the Same District to review and provide technical and business feasibility for the Kalemawe Agriculture Dam Project. These efforts are done in consultation with the Same District Engineer for the benefit of knowledge sharing but also incorporating users' needs in the engineering design.
- Continued the process of supporting LGAs to design and implement appropriate governance structures for the operation and management of income-generating investments in partnership with the private sector. The LFI Technical Team is expected to work with the lawyers from the respective LGAs.
- Intervened by coming up with a turn-around strategy to revive the cassava processing plant owned and managed by FJS Starch Processing Company Ltd in Rufiji District, Pwani Region. LFI interventions included supporting the developer to acquire appropriate technology, due diligence and potential financial support. Successful implementation of this strategy will result in the scale up of the cassava processing capacity of the plant, improvements in the revenue streams of the project and its financial position, and lastly the attraction of equity investors interested in starch production which has significant local industrial use and export potential.
- Conducted an SME workshop in collaboration with the Tanzania Private Sector Foundation (TPSF) where 93 SMEs participated. The participants were provided with key information on project preparation and access to finance. Furthermore, the workshop provided an opportunity for identification and screening of potential projects for LFI technical and/or financial support – a total of five projects were identified.

## **LFI Uganda**

The LFI-U component was launched in November 2015 under the LFI Global programme. It provides targeted technical support in project development and finance to the Local Development Finance pipeline of thematic investments in Food Security, Local Economic Development, Women's Economic Empowerment, Climate Change and Clean Energy. The focus is on infrastructure for local development.

In response to the Call for Proposals published on the 6th of December 2015, 227 project proposals were received of which 33 were from Local Government Authorities (LGA) and 194 from private developers. The process of screening applicants was done in two phases:

### **Phase 1 - Screening**

The screening phase focuses on identifying projects that are aligned with LFI-U's thematic areas of intervention notably: food security, agro-processing, women's economic empowerment, climate resilience, clean energy and public service delivery.

In addition to being relevant to the thematic focus of the programme, projects are also required to meet LFI -selection criteria of i) being commercial viable; ii) being budgeted at between US\$ 100,000 and US\$ 20m and iii) have the potential to catalyse Local Economic Development (LED) i.e. including improved local business environment, social and economic impact etc.

From the 227 proposals received, a total of 115 Projects were long listed and requested to provide additional information including; a business plan, feasibility study and implementation plan. In addition, all project developers with unsuccessful applications in the first phase of screening were duly informed.

#### Phase 2 - Screening

From the longlisted projects, 85 projects submitted additional information for Phase 2 screening. Based on the LFI-U criteria, 26 projects were selected for the LFI-U pipeline and ranked between Tier 1 to Tier 4 based on their respective stage of advancement in the project development cycle. All project developers that did not qualify for inclusion in the final pipeline were notified.

Programme implementation is still in its first year and the project development support is in progress. For more information please see Annex 1.

#### **LFI Benin**

The LFI-U component of the LFI Global Programme was also launched during the month of November 2015. It provides targeted technical support in project development and finance to the Local Development Finance pipeline of thematic investments in Food Security, Local Economic Development, Women's Economic Empowerment, Climate Change and Clean Energy. The focus is on infrastructure for local development.

Programme implementation is still in its first year and the project development support is in progress. For more information please see Annex 1.

For more information on the objectives and implementation status of the Local Finance Initiative overall in the three countries, please see: <http://www.uncdf.org/en/lfi>.

### **2. Purpose, scope and objectives of the Mid-Term Evaluation:**

This mid-term evaluation of UNCDF's Local Finance Initiative is commissioned at a crucial point in its implementation. A number of country pilots are underway under the current Global LFI programme and there are plans in the next phase of implementation to shift the initiative to a financing facility which will be mainstreamed across a number of broader multi-country thematic initiatives focused on key sectors for LDC economic transformation including climate change, food security, and women's economic empowerment.



With this shift in mind the objective of this mid-term evaluation is to review initial progress in piloting the initiative in the different countries in which it has been implemented and consider how best the approach can be rolled out across UNCDF's Local Development Finance portfolio more broadly.

The evaluation will pay particular attention to the relevance and performance to date of LFI in Tanzania given that this is the country in which the initiative has advanced the furthest and also in line with commitments made to the Tanzanian government as well as in the programme document for an evaluation of that programme.

More broadly, the evaluation is commissioned in accordance with UNCDF's Evaluation Plan 2014-2015 and its broader Evaluation Policy<sup>3</sup> which sets out a number of guiding principles and key norms for evaluation in the organization.

Amongst the norms that the Policy seeks to uphold, the most important are that the evaluation exercise should be independent, credible and able to provide information that is useful and relevant to support evidence-based programme management and broader decision making.

More specifically, the objectives of the mid-term evaluation are:

- ✓ To assist UNCDF and its partners to understand the relevance, efficiency, and effectiveness of LFI programme implementation to date
- ✓ To consider likely impact and sustainability of the LFI approach in the programme countries – and particularly Tanzania - if programme implementation proceeds as planned
- ✓ To consider the applicability of the LFI approach as a specific instrument within other UNCDF global programmes such as Finance for Food and Inclusive and Equitable Local Development (IELD)<sup>4</sup>
- ✓ To provide an assessment of how effectively UNCDF has positioned itself with government and other key actors in the development finance space in the countries targeted, with a view to replication and scaling up of the approach at a later date
- ✓ On the basis of experience to date, consider what are the various minimum conditions in terms of macro-economic, policy and institutional, and administrative capacity at the local level that should be in place for an LFI investment pipeline to be up and running and for a country to be considered ready to receive LFI

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<sup>3</sup>The revised policy of UNDP for evaluation was approved in 2011. The purpose of the policy is to establish a common institutional basis for the UNDP evaluation function. The policy seeks to increase transparency, coherence and efficiency in generating and using evaluative knowledge for organizational learning and effective management for results, and to support accountability. The policy also applies to the associated funds and programmes of UNDP – the United Nations Capital Development Fund (UNCDF) and the United Nations Volunteers (UNV) programme. <http://web.undp.org/evaluation/policy.htm#vi>

<sup>4</sup> Please see <http://www.uncdf.org/en/finance-food-f4f> and <http://www.uncdf.org/en/ield> for more information.

### 3. Evaluation Methodology:

The evaluation should be transparent, inclusive, participatory and utilization-focused. It will integrate gender and human rights principles following the United Nations Evaluation Group (UNEG) *Handbook to Integrate Human Rights and Gender Equality in Evaluation* and adhere to the *UNEG Norms and Standards for Evaluation in the UN System* and *UNEG's Ethical Guidelines and Code of Conduct*<sup>5</sup>.

It should follow a theory-of-change approach to assess the progress of the initiative across the various countries in which it has intervened against the expected end results, taking into account the influence of relevant contextual factors that may have had an effect on the achievement of these results.

The evaluation should draw upon mixed methods of quantitative and qualitative data using both existing secondary data as well as primary data to be gathered during the evaluation itself to come up with an overall assessment backed by clear evidence. To the extent possible, the data should be disaggregated by age, gender, marginalized and vulnerable groups.

The evaluation should seek to answer the following overall questions according to the 5 UN/OECD/DAC criteria:

Evaluation criteria and main questions	<b>Evaluation sub-questions</b> (not more than 4 per main question)	<b>Judgement Criteria</b>
<b>Question 1: Relevance and quality of design of the LFI initiative</b>	1.1 How relevant is the Local Finance Initiative to the programme countries in which it has intervened and how well situated is it in comparison to similar initiatives by other national and international development partners?	<p>Programme relevant to broader national strategies regarding decentralized financing of infrastructure at the local level and broader local economic development through job creation, revenue collection and backward and forwards linkages in local economic systems</p> <p>Programme distinct from other related initiatives in programme countries</p>
	1.2 As presently designed, how coherent is the programme design to the	-Coherent overall programme design with individual results streams appropriately resourced

<sup>5</sup> UNEG Evaluations Norms and Standards: <http://www.uneval.org/document/detail/21>

UNEG Code of Conduct: <http://www.unevaluation.org/document/detail/102>

UNEG Guidance for Integrating Human Rights and Gender Equality in Evaluation : <http://www.unevaluation.org/document/detail/980>

	achievement of overall programme objectives?	and planned and supporting coherently overall programme objectives  -Appropriate choice of programme partners on both the project development and project financing sides
	1.3 How well are programme objectives supported by LDC partners at the central and local levels as well as by development partners?	-Strong ownership of the LFI approach by LDC partners at the central and local levels  - Relevant to development funders programming strategies in line with objectives of Addis Ababa Action Agenda and new international development framework
	1.4 How well designed is the programme with a view to later transition, expansion and replication in line with UNCDF's maturity model?	-Good quality results monitoring system capturing the financial, economic and social outcomes at the level of investments as well as progress in policy and institutional capacity at central and local levels  - Clear knowledge management strategy in place or planned to publicise results and support programme expansion
	1.5 To what extent is programme design sufficiently taking cross-cutting issues into account?	-Appropriate integration of UN gender and human rights elements into programme design  - Appropriate consideration of how women's economic empowerment can be best served by the intervention  -Appropriate consideration of environmental and social standards in design
<b>Question 2: Efficiency</b>	2.1 What is the quality of programme management and how well has the initiative delivered its expected results to date?	- Timely implementation of programme deliverables - Transparent and efficient RFA processes to select LFI partners
	2.2 What is the quality of programme outputs delivered to date?	- High quality technical assistance being provided by the LFI team to participants in each stage of the investment process

		<ul style="list-style-type: none"> <li>- Relevant and high quality advice given to institutional partners active at the policy level.</li> </ul>
	2.3 What is the current and likely performance of investments financed at the local level in LFI programme countries?	<ul style="list-style-type: none"> <li>- Evidence of current or likely financial, economic, and social impacts of investment projects supported by LFI</li> </ul>
	2.4 What is the quality of programme monitoring systems. To what extent is it possible to capture the likely results of these investments on the local economies in terms of financial, social and environmental impact?	<ul style="list-style-type: none"> <li>- Clear economic, social and environmental performance metrics embedded within agreed projects</li> <li>- Clear mechanisms for ongoing monitoring of economic and social performance of investments once they have begun</li> <li>- Mechanisms in place to capturing the effects on local economic development through job creation, revenue collection and forward and backward linkages</li> </ul>
	2.5 How well are partner contributions/involvement in programme implementation working?	<ul style="list-style-type: none"> <li>- Well - functioning steering committees providing strategic oversight of programme implementation</li> <li>- Clear ownership of the initiative by development partners and national partners with a view to replication and scaling up</li> </ul>
<p><b>Question 3: Effectiveness (organizational change at the level of key programme counterparts)</b></p> <p>To what extent is the initiative on track to contributing to the improved capacity of public and private project developers to identify, develop and manage investment projects targeting local economic development in the programme's target countries?</p>	3.1 How far is the programme contributing to improvements in capacity and changes in behaviour of public and private sector project developers to identify and develop small - to medium-size infrastructure projects at the local level in programme countries?	<ul style="list-style-type: none"> <li>-Evidence of increased awareness of approaches to structured project finance in programme countries amongst project developers</li> <li>-Capacity established within national and local government officials and the private sector at the local level to identify and develop infrastructure projects</li> <li>-Evidence of current or future pipelines of proposed infrastructure projects by the public and private sector at the local level in programme countries</li> </ul>

	<p>3.2 How far is the programme contributing to the improved capacity and changes in behaviour of the domestic financial sector to providing financing for small-to medium-sized infrastructure projects at the local level in programme countries?</p>	<ul style="list-style-type: none"> <li>-Evidence of increased awareness of approaches to structured project finance in programme countries amongst project financiers</li> <li>-Capacity established within the local domestic financial sectors to provide financing for small – to medium-sized infrastructure projects</li> <li>-Evidence of current or future pipelines of proposed infrastructure financing at the local level in programme countries</li> </ul>
<p><b>Question 4: Impact</b> on broader policy, financing and economic systems</p>	<p>4.1 To what extent is the programme on track to supporting the building of an improved policy and institutional enabling environment to channel resources (both domestic and international) to financing local level infrastructure in LFI target countries</p>	<ul style="list-style-type: none"> <li>- Improvements to business enabling environment for domestic resource mobilisation (e.g. policy, laws, regulation) by national and local governments</li> </ul>
	<p>4.2 To what extent can programme activities be linked to increases or decreases in the domestic and/or international resources set aside for infrastructure development at the local level.</p>	<ul style="list-style-type: none"> <li>-Evidence of current or likely increases in domestic resources (both public and private) being leveraged by the programme and channeled to local infrastructure spending linked to programme— induced changes in the policy and regulatory environment</li> <li>- Evidence of current or likely increased financial support by the international development community for local economic development project development and finance in LFI countries</li> </ul>
	<p>4.3 To what extent is the programme likely to contribute to initiating or sustaining broader economic development in the localities where it is present.</p>	<ul style="list-style-type: none"> <li>- Programme – supported investments likely to spur increased economic development in the localities where it is present</li> </ul>

<p><b>Question 5: Sustainability of programme results within the broader policy environment</b></p>	<p>5.1 To what extent are changes at the policy and institutional level supported by the programme likely to continue over time?</p> <p>5.2 What are the prospects for continued financial and social performance of the portfolio of LFI – supported investment projects over time?</p>	<ul style="list-style-type: none"> <li>- Stable policy and financing environment foreseen evolving to meet the needs of the sector</li> <li>- Effective functioning of an LFI national platform or equivalent</li> <li>- Likelihood of continued operational performance of investments including guaranteed revenue streams</li> </ul>
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Interested bidders are requested to submit a methodological proposal for the evaluation which should include the following elements:

- The **theory of change** for the LFI intervention which is reproduced in figure x above
- An **Evaluation Matrix** with four columns and including the evaluation questions and sub-questions, an accompanying set of judgment criteria or performance indicators and the different data collection and analysis methods (or 'lines of evidence') proposed. (This will be validated by the successful firm during the inception phase of the evaluation on the basis of additional information to be provided then).
- On the basis of the different data collection and analysis methods proposed, a **data collection toolkit** should be presented setting out the approach and content of the various qualitative and quantitative tools that firms propose to use in assessing existing secondary data and generating new primary data to answer the evaluation questions. In proposing the evaluation methodology, bidders are invited to consult the quality standards for evaluation in UNCDF (Annex 1)
- In finalizing their proposal, bidders should also explain clearly how the evaluation will incorporate gender equality and human rights perspectives in all stages of the evaluation.<sup>6</sup>
- A proposed sampling strategy of the investments supported by LFI to date which will be finalized during the inception phase
- For the efficiency analysis of the performance of the investments themselves, in addition to considering their actual and/or likely financial, economic, environmental/social performance, the team should consider how well the measurement frameworks that are in place are able to capture these different dimensions of performance using international good practice in this area as a benchmark.<sup>7</sup> One element to consider here is the extent to which the Local Finance Initiative is respecting principles of additionality both at the initial selection phase of investments as well as during implementation; in doing so, the evaluation methodology should attempt to consider the

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<sup>6</sup> The UNEG guidelines on incorporating gender equality and human rights are a standard resource for designing evaluations with these objectives in mind and stand as a benchmark against which the UNCDF Evaluation Unit will later be judged. For more information, please see: [www.uneval.org/document/download/1294](http://www.uneval.org/document/download/1294)

<sup>7</sup> See for example <https://www.ecgnet.org/content/private-sector-operations>

counterfactual in the investments sampled and the extent to which the results generated by the portfolio are over and above what would be being generated anyway

- The proposal should also include a **detailed and realistic evaluation work plan** showing the overall time commitment to the project, as well as specific tasks and timelines, to be allocated to each individual team member.

In drawing up the proposed work plan, evaluation teams should be given sufficient time to complete: i) a thorough review of programme documentation in the three countries of programme implementation during the inception phase; ii) combined country visits to programme countries of not less than twenty-five days with a majority of time spent in Tanzania; iii) a thorough write up phase of the evaluation report, to include the presentation, analysis and transparent aggregation of the different 'lines of evidence' collected during the preceding evaluation phases into the final evaluation report.

The methodology will be further developed during the inception phase under the supervision of the Evaluation Unit.

#### **4. Audience and Timing:**

The primary audience for this evaluation is UNCDF, the funders of the Initiative as well as LFI's partners in Tanzania, Uganda, and Benin both with the national authorities and the programme funders.

The LFI final evaluation is scheduled to start in December 2016 and be concluded by April - March 2017 with the following proposed timing:

- Inception phase: December 2016 – January 2017
- Mission phase: February – March 2017
- Post-mission phase: April - May 2017

#### **5. Management roles and responsibilities:**

To ensure independence and fulfilment of UN evaluation standards, the Evaluation Unit of UNCDF in New York is responsible for the management of this evaluation and will hire an independent firm to conduct the evaluation.

The Evaluation Unit will provide administrative and methodological support, including joining the evaluation team in selected field visits, and is responsible for the overall quality of the report.

An Advisory Panel for the evaluation will be set up, composed of representatives of UNCDF'S Local Development Practice Area at Headquarters as well as from LFI's partners amongst international development agencies and UNCDF's partner governments in the LDCs. The role of the Advisory Committee is to support the Evaluation Unit in managing the evaluation by participating in the following:

- Reviewing the TOR.
- Reviewing and commenting on the inception report.
- Reviewing and commenting upon the draft report.
- Being available for interviews with the evaluation team.

## 6. Evaluation Process:

The evaluation process has 3 distinct phases:

### a) **Inception Phase and desk review:**

- ✓ Methodological briefing between the evaluation team and the Evaluation Unit to ensure clear understanding of the evaluation methodology, approach and main deliverables as per TOR;
- ✓ Inception meetings with Advisory Panel and key programme stakeholders to familiarize the Evaluation Team with the programme objectives, results to date and expectations for this evaluation.
- ✓ Stakeholder Mapping and stakeholders selection for data gathering.
- ✓ Validation of the evaluation matrix and finalization of the broader evaluation methodology and tools, to include a sampling strategy for more in-depth analysis of various aspects of the performance of the initiative as well as a strategy for collecting, analyzing and aggregating different sources of data into the final evaluation report.
- ✓ Finalization of the schedule for country visits and stakeholder interviews

**b) In-country phase:** in-depth data collection and research, including site visits and key informant interviews. De-briefing sessions with the key in-country stakeholders will be organized to present emerging trends and to build ownership of the findings with programme counterparts. The team leader may be asked to debrief the Advisory Panel and Evaluation Unit at the end of the country visits. This with a view to provide a sense of the evaluation team's preliminary findings ahead of the draft reporting phase.

**c) Post-Mission Phase:** analysis and synthesis stage, interpretation of findings and drafting of the evaluation report.

## 7. Main deliverables:

The proposed timeframe and expected deliverables will be discussed with the evaluation team and refined during the inception phase. The final schedule of deliverables will be presented in the inception report. The Evaluation Unit reserves the right to request revisions to the evaluation deliverables until they meet the quality standards set by the UN Evaluation Group (UNEG).<sup>8</sup>

The Evaluation Team Leader is responsible for preparing and submitting the following deliverables:

<b>Deliverables</b>	<b>Description</b>	<b>General Timeframe</b>
<b>INCEPTION PHASE:</b>	The inception report will present a refined scope for the evaluation, a detailed and validated outline of the evaluation design and methodology and a complete evaluation matrix with questions, sub-	

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<sup>8</sup> UNEG Quality Checklist for Evaluation Reports: <http://www.uneval.org/document/detail/607>  
UNEG Quality Checklist for Inception Reports: <http://www.uneval.org/document/detail/608>



<p><b>Inception Report and Data Collection Toolkit</b></p>	<p>questions, indicators, data collection methods and information sources</p> <p><u>Length:</u> max 25 pages excluding annexes. A template will be provided by the Evaluation Unit at the start of the inception phase.</p> <p><b>Data Collection Toolkit</b> that proposes a set of distinct ‘lines of evidence’ or data collection instruments (i.e., interview guides, focus group discussion guide, direct observation forms, questionnaires for consultations stakeholders, etc. as well as tools for quantitative analysis) to be employed in the course of the evaluation in line with the UNCDF quality standard for evaluation reports.</p> <p>The inception report should also include templates for brief country reports comparing and contrasting the approach, the background policy and institutional environment and the results of the programme to date in Tanzania, Benin and Uganda.</p> <p>The 1<sup>st</sup> draft of the inception report and data collection toolkit will be reviewed by the Evaluation Unit and revised by the Evaluation Team. The 2<sup>nd</sup> draft will be shared with the Advisory Panel for comments. The Evaluation Team will develop a final Inception Report integrating the feedback received.</p> <p>The evaluation team should maintain an audit trail of the comments received and provide a response on how the comments were addressed in the revised drafts.</p>	<p>October – November 2016</p>
<p><b>IN-COUNTRY PHASE:</b></p>	<p>The evaluation team should conduct country visits to all three programme countries meeting with key stakeholders, visiting project sites and interacting with the programme team. Because of the more advanced status of implementation in Tanzania, the team is asked to spend a majority of its time there.</p>	<p>November – December, 2016</p>
<p><b>POST MISSION PHASE:</b></p> <p><b>Draft Evaluation Report</b></p> <p><b>(including three rounds of revisions)</b></p>	<p>The draft report should outline clear evidence-based conclusions and findings, SMART recommendations, and a crisp, clear and compelling Executive Summary.</p> <p>It should be backed up by three brief country reports (maximum 20 pages) comparing and contrasting programme performance and the context in which it being implemented in the three countries.</p> <p>A first draft evaluation report will be shared with</p>	<p>December 2016 – February 2017</p>

	<p>the Evaluation Unit for initial feedback. The 2nd draft report will incorporate the Evaluation Unit's feedback and will be shared with the Advisory Panel and technical staff from LDFP. Comments will be integrated into a final draft report.</p> <p>The evaluation team should maintain an audit trail of the comments received and provide a response on how the comments were address in the revised drafts.</p> <p>Length: maximum 50 pages excluding annexes. Template will be provided by the Evaluation Unit at the start of the inception phase.</p>	
<b>Power Point Presentation for HQ debriefing</b> (max 20 slides and 20 minutes presentation).	A PPT summarizing the main findings and recommendations.	
<b>Final Evaluation Report, including an Executive Summary, and organized according to the evaluation sub-question with evaluation findings aggregated and synthesized on the basis of the results of the different data collection and analysis tools.</b>	A final report that incorporates comments received from all partners.	

## 8. Composition of Evaluation Team:

The evaluation team should present a combination of experience in evaluation and technical expertise in the area of development finance for local economic development in the Least Developed Countries of Africa.

The team should be familiar with approaches used to measure the performance of local development finance initiatives by the international financial institutions in the least developed countries and should offer expertise and experience including technical knowledge of development finance and local government reform and experience of introducing new financial mechanisms into domestic financial systems as well as theory-based approaches to performance evaluation incorporating both quantitative and qualitative analysis of both existing secondary data and primary data.

Total members of the team should be a minimum of 3 (including team leader). The evaluation team should also be gender-balanced and include at least one representative from a programme country in which the Local Finance Initiative has been implemented. At least one team member should be able to work in French.

Beyond that, bidders are free to propose whichever team they feel can most adequately fulfil the objectives of the evaluation provided the following roles are adequately covered:

The **Team Leader** is expected to offer expertise and experience in both international development evaluation and local development finance in developing countries. More specifically, we expect the following:

### **Corporate Competencies:**

- Demonstrates integrity by modelling the UN's values and ethical standards;

- Promotes the vision, mission and strategic goals of UNCDF
- Displays cultural, gender, religion, race, nationality and age sensitivity and adaptability
- Treats all people fairly without favoritism
- Fulfills all obligations to gender sensitivity and zero tolerance for sexual harassment

**Functional Competencies:**

- Strong interpersonal skills, communication and diplomatic skills, ability to work in teams and multi-cultural environments
- Strong analytical, reporting and writing abilities
- Openness to change and ability to receive/integrate feedback
- Ability to work under pressure and tight deadlines
- Fluency in English; knowledge of French

**Education:** Master's in Economics, Finance, Business or Public Administration or related field. Academic specialization in public finance is an asset.

**Experience in:**

Evaluation

- Proven experience of designing and leading a mix of different types of development evaluation (performance, outcome and/or impact evaluations) and in overseeing the transparent collection, presentation, analysis and aggregation of multi-method lines of evidence; as part of this, specific experience in leading evaluations assessing the results of public and private finance initiatives in developing countries using a range of relevant qualitative and quantitative evaluation tools is also expected.
- Demonstrated experience of applying international evaluation standards related to human rights and gender equality and experience in using methods and approaches that allow for differentiated and disaggregated analysis of gender in the evaluation reports being generated

Local development finance

- A minimum of fifteen years accumulated experience in international development finance, including experience in designing, managing and assessing the performance of development finance instruments supporting infrastructure development in developing countries at the national and local levels. This experience should include expert knowledge and awareness of different tools and methods to promote local finance (including for example municipal finance, knowledge of public-private partnership mechanisms, knowledge of SME financing); and familiarity with the evolution of the international development landscape including recent agreements on the SDGS and the Addis Ababa financing agenda that accompany them
- Knowledge and experience of applying relevant industry performance benchmarks to measure the financial, economic and social impacts of development finance

**Responsibilities of the Team Leader** (in addition to all other generic responsibilities and expected deliverables outlined in this TOR):

- Documentation review

- Developing and pre-testing the necessary data collection tools (to be presented in the Inception Report)
- Leading/managing the Evaluation Team in planning and conducting the evaluation
- Deciding on division of labour, roles and responsibilities within the Evaluation Team
- Ensuring the use of best practice evaluation methodologies and adherence to ethical code of conduct
- Leading the presentation of the draft evaluation findings and recommendations for the countries visited
- Leading the drafting and finalization of the evaluation report, integrating to the extent possible all comments received from different partners
- Presenting the main findings and recommendations in the debriefing for UNCDF
- Regularly updating UNCDF and donors on the progress of the evaluation
- Quality control for the evaluation report
- Adherence to UNCDF templates and other requirements as specified in this TOR

#### **Profile specifications for Evaluation Team members**

The rest of the evaluation team is expected to offer the same corporate and functional competencies as the Team Leader.

#### **Education:**

Team members should have attained the same educational level as the Team Leader namely a Master's in Economics, Finance, Business or Public Administration or related field. Academic specialization in public finance is an asset.

Experience:

Team Members should offer:

- Experience and expertise in designing, implementing and/or measuring the results of programmes supporting the developing of new public and private development finance tools supporting infrastructure development – including structured finance - in developing countries in Africa and Asia as well as documented experience of undertaking/participating in development evaluations looking at the performance of interventions targeting economic development in developing countries. Specifically, this experience should include knowledge of how international development assistance can be deployed to catalyse private sector investment in a portfolio of grant and loan-supported investment projects across a variety of sectors in the real economy.
- Experience of conducting a variety of different types of evaluations of public and private finance for infrastructure development in developing countries
- Experience in applying a gender lense to all stages of a development evaluation, including proven ability to collect, present, analyse and aggregate data in conformity with relevant United Nations Evaluation Group gender norms

**Responsibilities of Team Member(s)** (in addition to all other generic responsibilities and expected deliverables outlined in this TOR) and working under the direction of the Team Leader:

- Documentation review

- Contributing to developing and pre-testing the necessary data collection tools (to be presented in the Inception Report)
- Ensuring the use of best practice evaluation methodologies from the inclusive finance industry
- Leading the presentation of the draft evaluation findings and recommendations for the countries visited
- Responsible for the final evaluation report, integrating to the extent possible all comments received from different partners
- Adherence to UNCDF templates and other requirements as specified in this TOR